

Consolidated Balance Sheets

Mediceo Paltac Holdings Co., Ltd. and its consolidated subsidiaries
As of March 31, 2008 and 2009

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Current assets:			
Cash and time deposits (Notes 4 and 11)	¥ 151,571	¥ 143,292	\$ 1,458,740
Notes and accounts receivable, trade	547,676	556,843	5,668,767
Inventories	104,711	115,143	1,172,178
Deferred income taxes (Note 15)	7,801	6,960	70,854
Accounts receivable, other	50,426	50,014	509,152
Other current assets	2,682	3,519	35,824
Allowance for doubtful accounts	(2,442)	(1,565)	(15,932)
Total current assets	862,425	874,206	8,899,583
Property and equipment:			
Buildings and structures (Note 11)	128,910	127,245	1,295,378
Land (Notes 8 and 11)	79,969	83,073	845,699
Construction in progress	2,480	11,006	112,043
Other tangible fixed assets	37,834	44,304	451,023
Total property and equipment	249,193	265,628	2,704,143
Accumulated depreciation	(89,889)	(94,792)	(965,000)
Net property and equipment	159,304	170,836	1,739,143
Intangible assets:			
Goodwill	9,064	5,916	60,226
Software	3,977	3,933	40,039
Other intangible assets	848	3,456	35,182
Total intangible assets	13,889	13,305	135,447
Investments and other non-current assets:			
Investment securities (Notes 5 and 11)	50,026	44,178	449,740
Long-term loans receivable	616	415	4,225
Deferred income taxes (Note 15)	792	343	3,492
Other assets	20,177	16,132	164,226
Allowance for doubtful accounts	(2,396)	(2,128)	(21,663)
Total investments and other non-current assets	69,215	58,940	600,020
Total assets	¥1,104,833	¥1,117,287	\$11,374,193

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Current liabilities:			
Notes and accounts payable, trade (Note 11)	¥ 688,730	¥ 716,767	\$ 7,296,824
Short-term bank loans (Note 9)	29,688	28,813	293,322
Long-term debt due within one year (Note 9)	4,894	3,489	35,519
Income taxes payable (Note 15)	8,407	532	5,416
Provision for employees' bonuses	8,686	7,518	76,535
Other current liabilities	28,629	24,263	247,001
Total current liabilities	769,034	781,382	7,954,617
Long-term liabilities:			
Long-term debt (Note 9)	5,252	6,999	71,251
Deferred income taxes (Note 15)	10,519	7,601	77,380
Deferred income taxes – land revaluation (Note 8)	1,727	1,628	16,573
Employees' severance and retirement benefits (Note 10)	16,487	16,780	170,824
Negative goodwill	6,978	—	—
Other long-term liabilities	4,144	8,396	85,472
Total long-term liabilities	45,107	41,404	421,500
Contingent liabilities (Note 12)			
Net assets (Note 13):			
Shareholders' equity:			
Common stock:			
Authorized – 900,000,000 shares in 2008 and 2009			
Issued – 243,246,169 shares in 2008 and 244,524,496 shares in 2009	21,813	22,398	228,016
Capital surplus	134,040	134,625	1,370,508
Retained earnings	153,532	160,797	1,636,944
Treasury stock	(7,665)	(7,782)	(79,222)
Valuation and translation adjustments:			
Unrealized gains on securities, net of taxes (Note 5)	6,772	2,138	21,765
Land revaluation differences, net of taxes (Note 8)	(17,824)	(17,675)	(179,935)
Total	290,668	294,501	2,998,076
Minority interests	24	—	—
Total net assets	290,692	294,501	2,998,076
Total liabilities and total net assets	¥1,104,833	¥1,117,287	\$11,374,193

Consolidated Statements of Income

Mediceo Paltac Holdings Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Net sales	¥2,254,936	¥2,463,570	\$25,079,609
Cost of sales	2,063,282	2,276,333	23,173,501
Gross profit	191,654	187,237	1,906,108
Selling, general and administrative expenses	163,703	173,781	1,769,123
Operating income	27,951	13,456	136,985
Other income (expenses):			
Research fee income	5,286	5,720	58,231
Interest and dividend income	1,382	1,510	15,372
Interest expenses	(553)	(841)	(8,562)
Loss on devaluation of investment securities	(103)	(2,466)	(25,104)
Loss on impairment of fixed assets	(450)	(3,228)	(32,862)
Amortization of negative goodwill	7,001	7,142	72,707
Reversal of allowance for doubtful accounts	1,294	908	9,244
Additional retirement benefits for employees	(58)	(1,005)	(10,231)
Other, net (Note 14)	1,390	387	3,939
Total other income (expenses)	15,189	8,127	82,734
Income before income taxes and minority interests	43,140	21,583	219,719
Income taxes (Note 15):			
Current	13,202	7,903	80,454
Deferred	2,144	1,173	11,941
Total income taxes	15,346	9,076	92,395
Minority interests in net income of consolidated subsidiaries	—	(3)	(30)
Net income	¥ 27,794	¥ 12,510	\$ 127,354

	Yen		U.S. dollars (Note 1)
	2008	2009	2009
Amounts per share of common stock:			
Net income	¥119.20	¥52.30	\$0.53
Diluted net income	118.53	52.22	0.53
Cash dividends applicable to the period	18.00	18.00	0.18

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

Mediceo Paltac Holdings Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Shareholders' equity			
Common stock			
Balance at beginning of year	¥ 21,743	¥ 21,813	\$ 222,061
Changes during the year			
Issuance of new stock	70	585	5,955
Net change during the year	70	585	5,955
Balance at end of year	21,813	22,398	228,016
Capital surplus			
Balance at beginning of year	132,879	134,040	1,364,553
Changes during the year			
Issuance of new stock	70	585	5,955
Disposal of treasury stock	1,091	—	—
Net change during the year	1,161	585	5,955
Balance at end of year	134,040	134,625	1,370,508
Retained earnings			
Balance at beginning of year	129,761	153,532	1,562,985
Changes during the year			
Cash dividends paid	(3,472)	(5,138)	(52,306)
Net income	27,794	12,511	127,364
Reversal of land revaluation differences	(551)	(108)	(1,099)
Net change during the year	23,771	7,265	73,959
Balance at end of year	153,532	160,797	1,636,944
Treasury stock			
Balance at beginning of year	(18,928)	(7,665)	(78,031)
Changes during the year			
Acquisition of treasury stock	(65)	(117)	(1,191)
Disposal of treasury stock	10,698	—	—
Net change during the year	10,633	(117)	(1,191)
Balance at end of year	(7,665)	(7,782)	(79,222)
Total shareholders' equity			
Balance at beginning of year	266,085	301,720	3,071,568
Changes during the year			
Issuance of new stock	140	1,170	11,910
Cash dividends paid	(3,472)	(5,138)	(52,306)
Net income	27,794	12,511	127,364
Acquisition of treasury stock	(65)	(117)	(1,191)
Disposal of treasury stock	11,788	—	—
Reversal of land revaluation differences	(550)	(108)	(1,099)
Net change during the year	35,635	8,318	84,678
Balance at end of year	¥301,720	¥310,038	\$3,156,246

The accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Valuation and translation adjustments			
Unrealized gains on securities, net of taxes			
Balance at beginning of year	¥ 13,099	¥ 6,772	\$ 68,940
Changes during the year			
Changes in items other than shareholders' equity (net)	(6,327)	(4,634)	(47,175)
Net change during the year	(6,327)	(4,634)	(47,175)
Balance at end of year	6,772	2,138	21,765
Land revaluation differences, net of taxes			
Balance at beginning of year	(18,072)	(17,824)	(181,452)
Changes during the year			
Changes in items other than shareholders' equity (net)	248	149	1,517
Net change during the year	248	149	1,517
Balance at end of year	(17,824)	(17,675)	(179,935)
Total valuation and translation adjustments			
Balance at beginning of year	(4,973)	(11,052)	(112,512)
Changes during the year			
Changes in items other than shareholders' equity (net)	(6,079)	(4,485)	(45,658)
Net change during the year	(6,079)	(4,485)	(45,658)
Balance at end of year	(11,052)	(15,537)	(158,170)
Minority interests			
Balance at beginning of year	—	24	244
Changes during the year			
Changes in items other than shareholders' equity (net)	24	(24)	(244)
Net change during the year	24	(24)	(244)
Balance at end of year	24	—	—
Total net assets			
Balance at beginning of year	261,112	290,692	2,959,300
Changes during the year			
Issuance of new stock	140	1,170	11,910
Cash dividends paid	(3,472)	(5,138)	(52,306)
Net income	27,794	12,511	127,364
Acquisition of treasury stock	(65)	(117)	(1,191)
Disposal of treasury stock	11,788	—	—
Reversal of land revaluation differences	(550)	(108)	(1,099)
Changes in items other than shareholders' equity (net)	(6,055)	(4,509)	(45,902)
Net change during the year	29,580	3,809	38,776
Balance at end of year	¥290,692	¥294,501	\$2,998,076

Consolidated Statements of Cash Flows

Mediceo Paltac Holdings Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 43,140	¥ 21,583	\$ 219,719
Adjustments to reconcile income before income taxes to net cash flows provided by operating activities:			
Depreciation and amortization	10,057	11,225	114,273
Loss on impairment of fixed assets	450	3,228	32,862
Amortization of goodwill (negative goodwill)	(4,153)	(3,945)	(40,161)
Increase (decrease) in employees' severance and retirement benefits	(2,396)	1,764	17,958
Decrease in allowance for doubtful accounts	(2,248)	(1,159)	(11,799)
Interest and dividend income	(1,382)	(1,511)	(15,382)
Interest expenses	553	841	8,561
Additional retirement benefits for employees	58	1,005	10,231
Increase in notes and accounts receivable – trade	(12,962)	(7,797)	(79,375)
Decrease (increase) in inventories	9,483	(9,966)	(101,456)
Increase (decrease) in notes and accounts payable	(6,837)	27,217	277,074
Increase (decrease) in accrued consumption taxes	1,217	(2,647)	(26,947)
Other	(2,398)	(1,032)	(10,506)
Subtotal	32,582	38,806	395,052
Interest and dividends received	1,382	1,508	15,352
Interest expenses paid	(559)	(854)	(8,694)
Payment for additional retirement benefits for employees	(622)	—	—
Income taxes paid	(8,818)	(16,089)	(163,789)
Net cash provided by operating activities	23,965	23,371	237,921
Cash flows from investing activities:			
Payments for time deposits	(5,560)	(8,844)	(90,034)
Proceeds from time deposits	5,580	8,880	90,400
Payments for purchase of property and equipment	(16,076)	(16,881)	(171,852)
Proceeds from sale of property and equipment	7,397	1,736	17,673
Payments for purchase of investment securities	(5,882)	(4,817)	(49,038)
Proceeds from sale of investment securities	620	823	8,378
Payment for acquisition of investment in subsidiaries	(58)	(95)	(968)
Proceeds from sale of investment in affiliates	360	41	417
Proceeds from (payments for) acquisition of investment in subsidiaries due to change in scope of consolidation	3,318	(99)	(1,007)
Disbursement of loans	(54)	(21)	(214)
Collection of loans	202	238	2,423
Payments for business transfer	(825)	(308)	(3,135)
Other, net	(1,458)	(2,488)	(25,328)
Net cash used in investing activities	(12,436)	(21,835)	(222,285)
Cash flows from financing activities:			
Decrease in short-term bank loans – net	(4,004)	(3,325)	(33,849)
Repayment of lease obligation	—	(2,387)	(24,300)
Proceeds from long-term debt	5,000	5,880	59,860
Repayment of long-term debt	(5,590)	(4,872)	(49,598)
Payment for redemption of bonds	—	(220)	(2,240)
Payment for redemption of convertible bonds	(0)	(29)	(295)
Purchase of treasury stock	(65)	(117)	(1,191)
Cash dividends paid to shareholders	(3,472)	(5,138)	(52,306)
Net cash used in financing activities	(8,131)	(10,208)	(103,919)
Net increase (decrease) in cash and cash equivalents	3,398	(8,672)	(88,283)
Cash and cash equivalents at beginning of year (Note 4)	142,439	146,346	1,489,830
Increase in cash and cash equivalents due to merger	142	—	—
Increase in cash and cash equivalents due to change in scope of consolidation	367	393	4,001
Cash and cash equivalents at end of year (Note 4)	¥146,346	¥138,067	\$1,405,548

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

Mediceo Paltac Holdings Co., Ltd. and its consolidated subsidiaries
Years ended March 31, 2008 and 2009

1. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

Mediceo Paltac Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries (the "Companies") maintain their accounts and records in accordance with the provisions set forth in the Japanese Corporation Law and the Financial Instruments and Exchange Act and their related accounting regulations and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which are different in certain respects from the accounting and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the readers, using the prevailing exchange rate at March 31, 2009, which was ¥98.23 to U.S.\$1.00. The convenience translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (12 subsidiaries in the year ended March 31, 2009 and 17 subsidiaries in the year ended March 31, 2008).

All significant intercompany transactions and accounts have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries are recorded using the fair value at the time the Company acquired control of the respective subsidiaries.

KOBASHOU.CO., LTD. and its subsidiaries KS-HOKKAIDO CO., LTD., KS-TOUHOKU CO., LTD., KS-TOUKAI CO., LTD. and SEIEI CO., LTD. merged on April 1, 2008. On the same date, KOBASHOU.CO., LTD. merged with PALTAC CORPORATION, the surviving company, and therefore is excluded from the scope of consolidation as of the year ended March 31, 2009. Also on April 1, 2008, PALTAC CORPORATION changed its name to PALTAC KS CORPORATION.

EIKO CO., LTD. became a wholly owned subsidiary of PALTAC KS CORPORATION, a wholly owned subsidiary of the Company, when PALTAC KS acquired all of its shares on April 1, 2008, and therefore is included in the scope of consolidation as of the year ended March 31, 2009. On October 1, 2008, EIKO CO., LTD. merged with PALTAC KS CORPORATION, the surviving company, and was therefore excluded from the scope of consolidation.

B. EQUITY METHOD

Investments in affiliated companies (all those 20% to 50% owned and certain others 15% to 20% owned) were accounted for by the equity method. Unconsolidated subsidiaries and the other affiliated companies are stated at cost since their net income and retained earnings in the aggregate are not material compared to consolidated net income and retained earnings, respectively.

C. INTANGIBLE ASSETS

Intangible assets exclude leased assets. Goodwill (including negative goodwill), which is the difference between the cost of investments and equity in their net assets at the date of acquisition, arising from domestic consolidated subsidiaries is amortized over the estimated useful lives of the intangible assets up to 20 years using the straight-line method, or is charged to income in the year incurred if its is immaterial.

Software for its own use is amortized over the estimated useful life (5 years) using the straight-line method.

D. CASH AND CASH EQUIVALENTS

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

E. SECURITIES

Held-to-maturity debt securities are carried at amortized cost. Available-for-sale securities with available fair market values are stated at fair market value and unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sale of such securities are computed using moving-average cost.

Available-for-sale securities with no available fair market values are stated at moving-average cost.

F. DERIVATIVES

Derivative financial instruments are valued at fair value.

G. INVENTORIES

Inventories are stated at cost, primarily determined by the average method, with book value written down as necessary to reflect any decrease in profitability.

Loss on devaluation of inventories is recorded as cost of sales.

H. PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment, excluding leased assets, are stated at cost. Depreciation is computed by the declining-balance method at rates based on their estimated useful lives except for buildings (excluding building improvements) acquired on or after April 1, 1998, which are depreciated by the straight-line method.

The estimated useful lives are as follows:

Buildings and structures: 3-50 years

Other tangible fixed assets: 4-15 years

Pursuant to a revision of the Corporation Tax Law, the Company and its consolidated subsidiaries reviewed the useful lives of machinery and equipment in property and equipment, and changed the number of years of useful life as of the fiscal year ended March 31, 2009.

This change had no material effect on income.

Leased assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method with the lease periods as the useful lives and zero residual value.

I. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Allowance for doubtful accounts is provided in amounts sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified items and the amount calculated using the actual percentage of collection losses in the past with respect to other items.

J. PROVISION FOR EMPLOYEES' BONUSES

Provision for employees' bonuses is provided in the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

K. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

Employees of the Companies are entitled, under most circumstances, to lump-sum severance payments or pension payments upon reaching the mandatory retirement age, or earlier in the case of voluntary or involuntary termination, based on the compensation at the time of severance and years of service.

The Companies provided allowance and expenses for employees' severance and retirement benefits at the consolidated balance sheet date based on the estimated amounts of projected benefit obligation and the fair value of the pension assets. Prior service costs and actuarial differences are recognized as expenses primarily from the fiscal year in which they arise, using the straight-line method over a fixed number of years not exceeding the estimated average remaining period of service.

L. INCOME TAXES

The Companies provide for income taxes applicable to all items included in the consolidated statements of income regardless of when such taxes are payable. Income taxes based on temporary differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

M. AMOUNTS PER SHARE OF COMMON STOCK

The computation of net income per share of common stock is based on the average number of shares outstanding during each fiscal year.

For computing diluted net income per share of common stock, the average number of shares was increased by the number of shares that would have been outstanding assuming that domestic convertible bonds were converted on the date of issuance (September 11, 1996) at the actual conversion rates in effect during the year. Cash dividends per share represent the actual amounts declared during the respective years.

3. CHANGES IN ACCOUNTING STANDARDS

ACCOUNTING STANDARD FOR LEASE TRANSACTIONS

Finance lease transactions that did not transfer ownership were formerly accounted for as operating leases. Beginning in the fiscal year ended March 31, 2009, the Company and its consolidated subsidiaries have applied ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which was issued on March 30, 2007 and revised the former accounting standard for lease transactions issued on June 17, 1993, and ASBJ Application Guidance No. 16, "Application Guidance on Accounting Standard for Lease Transactions," which was issued on March 30, 2007 and revised the former guidance issued on January 18, 1994. Accordingly, finance lease transactions are accounted for as ordinary sales transactions, with short-term or immaterial finance lease transactions excluded from the balance sheets.

This change had no material effect on income.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2008 and 2009 consisted of the following:

March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Cash and time deposits	¥151,571	¥143,292	\$1,458,740
Time deposits with maturities over three months	(5,225)	(5,225)	(53,191)
Cash and cash equivalents	¥146,346	¥138,067	\$1,405,548

Significant non-cash transactions due to the conversion of convertible bonds during the years ended March 31, 2008 and 2009 consisted of the following:

March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Increase in common stock	¥ 70	¥ 585	\$ 5,955
Increase in capital surplus	70	585	5,955
Decrease in convertible bonds	¥140	¥1,170	\$11,910

5. INVESTMENT SECURITIES

The Companies recognized ¥2,455 million (\$24,992 thousand) in loss on devaluation of investment securities for the year ended March 31, 2009. The Companies recognize impairment of applicable equities as an unrealized loss on devaluation if the market value at the end of the fiscal year is 30 percent or more below the acquisition cost.

(1) AVAILABLE-FOR-SALE SECURITIES WITH A MARKET VALUE

March 31, 2009	Millions of yen		
	Acquisition cost	Book value	Difference
Securities whose book value exceeds their acquisition cost:			
Equity securities	¥13,913	¥25,571	¥11,658
	¥13,913	¥25,571	¥11,658
Securities whose book value does not exceed their acquisition cost:			
Equity securities	¥ 9,650	¥ 9,057	¥ (593)
	¥ 9,650	¥ 9,057	¥ (593)
Total	¥23,563	¥34,628	¥11,065

March 31, 2009	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Securities whose book value exceeds their acquisition cost:			
Equity securities	\$141,637	\$260,318	\$118,681
	\$141,637	\$260,318	\$118,681
Securities whose book value does not exceed their acquisition cost:			
Equity securities	\$ 98,239	\$ 92,202	\$ (6,037)
	\$ 98,239	\$ 92,202	\$ (6,037)
Total	\$239,876	\$352,520	\$112,644

March 31, 2008	Millions of yen		
	Acquisition cost	Book value	Difference
Securities whose book value exceeds their acquisition cost:			
Equity securities	¥16,537	¥35,568	¥19,031
	¥16,537	¥35,568	¥19,031
Securities whose book value does not exceed their acquisition cost:			
Equity securities	¥ 5,485	¥ 4,988	¥ (497)
	¥ 5,485	¥ 4,988	¥ (497)
Total	¥22,022	¥40,556	¥18,534

(2) AVAILABLE-FOR-SALE SECURITIES SOLD DURING THE YEAR

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Proceeds from sales	¥3,592	¥502	\$5,110
Realized gains on sales	141	237	2,413
Realized losses on sales	1	(3)	(31)

(3) BOOK VALUE OF AVAILABLE-FOR-SALE SECURITIES WITHOUT A MARKET VALUE

March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Held-to-maturity:			
Unlisted debt securities	¥3,300	¥3,600	\$36,649
Available-for-sale:			
Unlisted equity securities	2,755	2,943	29,960
Bonds	1	1	10
Investments in investment partnerships	17	—	—

(4) SCHEDULE FOR REDEMPTION OF AVAILABLE-FOR-SALE SECURITIES WITH A MATURITY AND HELD-TO-MATURITY DEBT SECURITIES

March 31	Millions of yen		
	2009		
	Due within one year	Due after one year through ten years	Due after ten years
Unlisted foreign securities (Total)	¥ —	¥ —	¥3,300
Unlisted domestic bonds (Total)	¥ —	¥300	¥ —

March 31	Thousands of U.S. Dollars		
	2009		
	Due within one year	Due after one year through ten years	Due after ten years
Unlisted foreign securities (Total)	\$ —	\$ —	\$33,595
Unlisted domestic bonds (Total)	\$ —	\$3,054	\$ —

March 31	Millions of yen		
	2008		
	Due within one year	Due after one year through ten years	Due after ten years
Unlisted foreign securities (Total)	¥ —	¥ —	¥3,300

6. DERIVATIVE TRANSACTIONS

A certain consolidated subsidiary has entered into forward foreign currency contracts to reduce its exposure to adverse fluctuation in foreign exchange rates relating to its receivables and payables denominated in foreign currencies. The subsidiary does not engage in speculative transactions, and it applies deferral hedge accounting or designation accounting to forward exchange contracts that qualify.

For forward exchange contracts, in principle the subsidiary compares the total exchange rates of hedged items to the total market fluctuation of hedging instruments during the period from the time hedging begins until the point when its effectiveness is determined, and makes an assessment based on the amount of fluctuation of the two. However, if the material terms of the assets and liabilities of hedging instruments are the same as those of the hedged items, the assessment of effectiveness is omitted because the effectiveness is clearly 100 percent.

As the derivative transactions are made solely with leading financial institutions, the subsidiary does not expect any credit risk.

The derivative transactions are executed and managed in accordance with the established policies and within the amount of hedge items. Information on the derivative transaction utilized by the certain subsidiary is not disclosed as hedge accounting has been applied on all derivative transactions.

Derivatives transactions were not material during the year ended March 31, 2009.

7. LOSS ON IMPAIRMENT OF FIXED ASSETS

Accumulated impairment losses are directly written off against the value of each asset based on the relevant rules for consolidated financial statements.

For business-use assets owned by the Company and its consolidated subsidiaries that are idle, are not expected to be used in the future and have recoverable values less than book value, the Company writes down the book value to the recoverable value, and accounts for the amount of this write-down as an impairment loss in other income (expenses).

The Company measures the recoverable value of assets using the net sale value. The net sale value is the amount calculated based on the appraised value determined by a real estate appraiser or the value assessed for property tax purposes.

During the year ended March 31, 2009, the Company and its consolidated subsidiaries recorded loss on impairment of fixed assets for the following asset groups:

Application	Type	Location	Millions of yen	Thousands of U.S. dollars
Idle assets	Land and buildings, etc.	Kinki, 3 items	¥ 172	\$ 1,751
		Others	77	784
Business assets	Land, buildings and leased assets, etc.	Kanto, 17 items	1,274	12,970
		Tokai, 5 items	621	6,322
		Others	226	2,301
Leased assets	Land and buildings, etc.	Kinki, 1 item	523	5,324
		Others	335	3,410
Total			¥3,228	\$32,862

During the year ended March 31, 2008, the Companies recorded loss on impairment of fixed assets for the following asset groups:

Application	Type	Location	Millions of yen
Idle assets	Land and buildings, etc.	Tohoku, 3 items	¥ 39
		Kanto, 3 items	10
		Kinki, 1 item	38
Business assets	Land and buildings, etc.	Hokkaido, 2 items	38
		Tohoku, 1 item	1
		Kanto, 2 items	55
		Tokai, 1 item	0
Leased assets	Land and buildings, etc.	Kanto, 1 item	250
		Kyushu, 1 item	19
Total			¥450

The Prescription Pharmaceutical Wholesale Business of the Companies has established region-based operating classifications, and groups assets by region. Assets of the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business and Related Business are also grouped by region.

The distribution centers owned by the Company, an operating holding company, conduct central buying for the Companies from manufacturers and perform the wholesale distribution functions of sales subsidiaries, and are therefore treated as assets of the Prescription Pharmaceutical Wholesale Business.

Loss on impairment of fixed assets totaled ¥3,228 million (\$32,862 thousand) for the year ended March 31, 2009, as presented below.

Item	Millions of yen	Thousands of U.S. dollars
Land	¥ 340	\$ 3,461
Buildings and structures	918	9,346
Leased assets	1,686	17,164
Other	284	2,891
Total	¥3,228	\$32,862

8. LAND REVALUATION

Under the "Law on Land Revaluation," passed on March 31, 1998 and revised on March 31, 2001, the Company and some consolidated subsidiaries carried out a one-time revaluation of their own-use land to a value based on real estate appraisal information at March 31, 2002.

The resulting land revaluation differences represent unrealized appreciation of land and are accounted for as land revaluation differences, net of taxes in net assets.

According to the Law, the Company and some consolidated subsidiaries are not permitted to revalue land at any time after the above revaluation

even in cases where the fair value of the land declines. Such unrecorded revaluation loss is ¥4,830 million (\$49,170 thousand) at March 31, 2009.

9. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

The Company has overdraft facilities with 22 banks in order to support effective financing. The unexecuted balance of overdraft facilities at March 31, 2008 and 2009 are listed below.

March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Total overdraft facilities	¥153,500	¥159,723	\$1,626,010
Less amounts currently executed	(29,640)	(28,353)	(288,639)
Unexecuted balance	¥123,860	¥131,370	\$1,337,371

Short-term bank loans including overdraft facilities at March 31, 2008 and 2009 principally bore annual average interest rates of 1.15% and 1.32% per annum, respectively.

Long-term debt at March 31, 2008 and 2009 consisted of the following:

March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Unsecured domestic convertible bonds due 2008 at a rate of 0.9%	¥ 1,200	¥ —	\$ —
Loans from banks	8,946	10,488	106,770
	10,146	10,488	106,770
Less amount due within one year	(4,894)	(3,489)	(35,519)
Amount due after one year	¥ 5,252	¥ 6,999	\$ 71,251

The Company issued 152,811 shares of common stock upon conversion of the unsecured domestic convertible bonds due 2008. This represented approximately 1.5 percent of the total of 10,102,000 shares of common stock that were issuable assuming full conversion of the unsecured domestic convertible bonds outstanding at March 31, 2008.

The annual maturities of long-term debt at March 31, 2009 were as follows:

Years ended March 31	Average interest rate (%)	Millions of yen	Thousands of U.S. dollars
2010	1.49	¥3,488	\$35,509
2011	1.58	1,997	20,330
2012	1.58	1,997	20,330
2013	1.58	1,625	16,543
2014	1.58	1,127	11,473

The annual maturities of lease transactions at March 31, 2009 were as follows:

Years ended March 31	Average interest rate (%)	Millions of yen	Thousands of U.S. dollars
2010	5.69	¥1,904	\$19,383
2011	9.59	1,399	14,242
2012	9.59	994	10,119
2013	9.59	627	6,383
2014	9.59	343	3,492

10. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

(1) OVERVIEW OF RETIREMENT BENEFIT PLAN

The Company and its consolidated subsidiaries use a contributory trustee employee pension plan established by the pharmaceutical industry, a contract-type corporate pension plan and an unfunded lump-sum retirement benefit plan as its defined benefit plan system, and a defined contribution pension plan as its defined contribution plan system. In addition, the Company and its consolidated subsidiaries may pay a premium severance payment when employees retire.

(2) RETIREMENT BENEFITS

Employees' retirement benefits at March 31, 2008 and 2009 consisted of the following:

March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Projected benefit obligation	¥(39,425)	¥(38,590)	\$(392,854)
Fair value of plan assets	27,159	20,943	213,204
Unfunded employees' severance and retirement benefits	(12,266)	(17,647)	(179,650)
Unrecognized actuarial difference	1,874	5,399	54,963
Unrecognized prior service costs	(116)	(145)	(1,476)
Subtotal	(10,508)	(12,393)	(126,163)
Prepaid pension expenses	5,979	4,387	44,661
Employees' severance and retirement benefits	¥(16,487)	¥(16,780)	\$(170,824)

Certain insignificant consolidated subsidiaries calculated the liabilities using the simplified method.

(3) NET PENSION EXPENSE

The components of net pension expense in 2008 and 2009 are listed below.

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Service costs	¥2,489	¥2,413	\$24,565
Interest costs on projected benefit obligations	707	735	7,482
Expected return on plan assets	(600)	(552)	(5,619)
Unrecognized actuarial difference	(208)	1,825	18,579
Amortization of prior service costs	(145)	(145)	(1,476)
Loss transition to a defined contribution pension plan	(138)	—	—
Other	3,570	3,952	40,232
Net pension expense	¥5,675	¥8,228	\$83,763

In addition to the pension expense above, additional retirement benefits for employees amounting to ¥1,005 million (\$10,231 thousand) and ¥58 million were made for the years ended March 31, 2009 and 2008, respectively.

Service costs of consolidated subsidiaries using the simplified method were included in service costs above.

"Other" is the amount of premiums paid to the defined contribution pension plan and premiums paid to the welfare pension fund.

(4) ASSUMPTIONS

The projected benefit obligation is determined on the basis of employees' evaluation, their length of service and certain other factors. Other significant assumptions used in the calculation of projected benefit obligation and pension expense are listed below.

March 31	2008	2009
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0–3.0%	2.0–3.0%
Amortization period for prior service costs	3–10 years	3–5 years
Recognition period of actuarial difference	3–10 years	3–10 years

(5) FUNDED STATUS OF THE CONTRIBUTORY TRUSTEED EMPLOYEE PENSION PLANS ESTABLISHED BY THE PHARMACEUTICAL INDUSTRY

The Companies recognize contributions to several contributory trustee employee pension plans established by the pharmaceutical industry as retirement benefit expenses. The funded status of these plans at March 31, 2009 and 2008 were as follows:

2009	(Millions of yen)		
	Tokyo Pharmaceutical Industry Employee Pension Fund	Osaka Pharmaceutical Industry Employee Pension Fund	Other
Plan assets	¥415,832	¥295,836	¥117,141
Projected benefit obligation	497,473	385,503	125,365
Funded (Unfunded) employees' severance and retirement benefits	¥ (81,640)	¥ (89,666)	¥ (8,224)

2009	(Thousands of U.S. dollars)		
	Tokyo Pharmaceutical Industry Employee Pension Fund	Osaka Pharmaceutical Industry Employee Pension Fund	Other
Plan assets	\$4,233,248	\$3,011,667	\$1,192,528
Projected benefit obligation	5,064,369	3,924,494	1,276,239
Funded (Unfunded) employees' severance and retirement benefits	\$ (831,111)	\$ (912,817)	\$ (83,722)

2008	(Millions of yen)			
	Tokyo Pharmaceutical Industry Employee Pension Fund	Osaka Pharmaceutical Industry Employee Pension Fund	Kinki Cosmetics Industry Employee Pension Fund	Other
Plan assets	¥461,861	¥358,625	¥41,151	¥132,336
Projected benefit obligation	469,730	370,888	50,821	119,049
Funded (Unfunded) employees' severance and retirement benefits	¥ (7,869)	¥ (12,263)	¥ (9,670)	¥ 13,287

(6) PERCENTAGE OF PLAN ASSETS ASCRIBABLE TO CONTRIBUTIONS BY THE MEDICEO GROUP

The percentage of the assets of each of these plans ascribable to contributions by the Companies at March 31, 2008 and 2009 were as follows:

	2008	2009
Tokyo Pharmaceutical Industry Employee Pension Fund	4.8%	9.6%
Osaka Pharmaceutical Industry Employee Pension Fund	5.0	4.8
Kinki Cosmetics Industry Employee Pension Fund	24.7	—
Other	8.4	7.9

11. PLEDGED ASSETS

The Companies pledged the following assets to secure notes and accounts payable, trade in the amount of ¥35,927 million (\$365,744 thousand) and ¥53,727 million at March 31, 2009 and 2008, respectively.

March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Land	¥3,067	¥1,947	\$19,821
Buildings and structures at net book value	534	193	1,965
Investment securities	806	429	4,367
Time deposits	1,200	1,120	11,402

12. CONTINGENT LIABILITIES

The Companies were contingently liable as guarantors for loans of unconsolidated subsidiaries, affiliates and others in the amount of ¥784 million (\$7,981 thousand) and ¥958 million at March 31, 2009 and 2008, respectively.

13. NET ASSETS

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 24, 2009, the shareholders approved cash dividends amounting to ¥1,677 million (\$17,072

thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2009. Such appropriations are recognized in the period in which they are approved by the shareholders.

14. OTHER INCOME (EXPENSES)

Other income (expenses) - "Other, net" in the accompanying consolidated statements of income for the years ended March 31, 2008 and 2009 comprised the following:

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Gain on sales of investment securities – net	¥ 142	¥ 235	\$ 2,392
Gain (loss) on sales or disposal of property, plant and equipment – net	1,018	(567)	(5,772)
Loss on devaluation of golf club memberships	—	(5)	(51)
Office relocation expenses	(86)	(102)	(1,038)
Real estate rental income – net	562	590	6,006
Gain on revision of retirement benefit system	138	—	—
Gain on sales of equity in affiliates	5	7	71
Loss on devaluation of equity in affiliates	(1,282)	(303)	(3,085)
Gain (loss) on sales of golf memberships – net	17	(10)	(102)
Loss on cancellation of shares due to absorption of a subsidiary – net	(130)	(886)	(9,020)
Other, net	1,006	1,428	14,538
	¥ 1,390	¥ 387	\$ 3,939

15. INCOME TAXES

Income taxes in the accompanying consolidated statements of income comprise corporation, enterprise and inhabitants' taxes. The aggregated normal effective tax rates were approximately 35.6% and 42.0% for the years ended March 31, 2008 and 2009, respectively.

The reconciliation between the statutory tax rate and the effective tax rate of the Companies for financial statement purposes for the year ended March 31, 2008 was as follows:

Years ended March 31	2008
Statutory tax rate	40.7%
Non-deductible expenses for tax purposes	(4.8)
Per capita inhabitant taxes	0.8
Valuation allowance	(0.2)
Amortization of goodwill	(4.2)
Equity in earnings of affiliated companies	4.0
Others	(0.7)
Effective tax rate	35.6%

Reconciliation of the difference between the effective tax rate and the statutory tax rate is omitted for the year ended March 31, 2009 because it was less than 5 percentage points.

Significant components of the deferred tax assets and liabilities of the Companies at March 31, 2008 and 2009 are as follows:

Notes to Consolidated Financial Statements

March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Deferred tax assets:			
Excess allowance for doubtful accounts	¥ 918	¥ 493	\$ 5,019
Excess provision for employees' bonuses	3,583	3,101	31,569
Accrued enterprise taxes	779	208	2,117
Provision for employees' severance and retirement benefits	4,138	6,727	68,482
Loss on impairment of fixed assets	959	1,650	16,797
Tax loss carryforward	2,652	1,767	17,988
Loss on devaluation of investment securities	2,083	2,368	24,107
Defined contribution pension plan	948	390	3,970
Other	4,640	8,099	82,450
Subtotal	20,700	24,803	252,499
Valuation allowance	(5,298)	(8,827)	(89,860)
Total deferred tax assets	¥ 15,402	¥ 15,976	\$ 162,639
Deferred tax liabilities:			
Deferred gain on sale of fixed assets	(2,695)	(2,707)	(27,558)
Net unrealized holding gains on securities	(7,358)	(4,404)	(44,834)
Other	(7,275)	(9,163)	(93,281)
Total deferred tax liabilities	¥(17,328)	¥(16,274)	\$ (165,673)
Net deferred tax assets	¥ (1,926)	¥ (298)	\$ (3,034)

Net deferred tax assets included in the consolidated balance sheets consisted of the following:

March 31	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Deferred tax assets included in current assets	¥ 7,801	¥ 6,960	\$ 70,854
Deferred tax assets included in property and equipment	792	343	3,492
Deferred tax liabilities included in long-term liabilities	(10,519)	(7,601)	(77,380)

16. SEGMENT INFORMATION

Information by business segment for the years ended March 31, 2008 and 2009 is as follows:

Year ended March 31	Millions of yen					Eliminations and Corporate	Consolidated
	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Wholesale Business	Related Business	Total			
Net sales:							
(1) Sales to outside customers	¥1,748,145	¥710,381	¥5,044	¥2,463,570	¥ —	—	¥2,463,570
(2) Intersegment sales and transfers	859	648	2	1,509	(1,509)	—	—
Total sales	1,749,004	711,029	5,046	2,465,079	(1,509)	—	2,463,570
Operating expenses	1,743,128	703,508	5,029	2,451,665	(1,551)	—	2,450,114
Operating income	¥ 5,876	¥ 7,521	¥ 17	¥ 13,414	¥ 42	¥ —	¥ 13,456
Assets, depreciation, impairment loss and capital expenditures							
Assets	¥ 863,526	¥252,119	¥2,051	¥1,117,696	¥ (409)	—	¥1,117,287
Depreciation	7,537	3,665	23	11,225	—	—	11,225
Impairment loss	3,124	104	—	3,228	—	—	3,228
Capital expenditures	10,990	8,588	364	19,942	—	—	19,942

Year ended March 31	Thousands of U.S. dollars					
	2009					
	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Wholesale Business	Related Business	Total	Eliminations and Corporate	Consolidated
Net sales:						
(1) Sales to outside customers	\$17,796,447	\$7,231,813	\$51,349	\$25,079,609	\$ —	\$25,079,609
(2) Intersegment sales and transfers	8,745	6,597	20	15,362	(15,362)	—
Total sales	17,805,192	7,238,410	51,369	25,094,971	(15,362)	25,079,609
Operating expenses	17,745,373	7,161,845	51,196	24,958,414	(15,790)	24,942,624
Operating income	\$ 59,819	\$ 76,565	\$ 173	\$ 136,557	\$ 428	\$ 136,985
Assets, depreciation, impairment loss and capital expenditures						
Assets	\$ 8,790,858	\$2,566,619	\$20,880	\$11,378,357	\$ (4,164)	\$11,374,193
Depreciation	76,728	37,311	234	114,273	—	114,273
Impairment loss	31,803	1,059	—	32,862	—	32,862
Capital expenditures	111,880	87,427	3,706	203,013	—	203,013

Year ended March 31	Millions of yen					
	2008					
	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Wholesale Business	Related Business	Total	Eliminations and Corporate	Consolidated
Net sales:						
(1) Sales to outside customers	¥1,713,320	¥535,282	¥6,334	¥2,254,936	¥ —	¥2,254,936
(2) Intersegment sales and transfers	868	666	2	1,536	(1,536)	—
Total sales	1,714,188	535,948	6,336	2,256,472	(1,536)	2,254,936
Operating expenses	1,692,944	529,384	6,260	2,228,588	(1,603)	2,226,985
Operating income	¥ 21,244	¥ 6,564	¥ 76	¥ 27,884	¥ 67	¥ 27,951
Assets, depreciation, impairment loss and capital expenditures						
Assets	¥ 844,579	¥258,733	¥2,893	¥1,106,205	¥(1,372)	¥1,104,833
Depreciation	6,876	3,179	2	10,057	—	10,057
Impairment loss	450	—	—	450	—	450
Capital expenditures	15,481	1,822	2	17,305	—	17,305

Notes:

- Method of business classification
Businesses are classified in consideration of similarities of product type, business group and market.
- Description of business segments

Business segment	Description
Prescription Pharmaceutical Wholesale Business	Wholesale distribution of prescription pharmaceuticals, medical equipment, etc.
Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Wholesale distribution of cosmetics, daily necessities, soap, detergents, over-the-counter pharmaceuticals, etc.
Related Business	Sales of industrial chemicals, food additives, etc.

- Depreciation and capital expenditures include long-term prepaid expenses and depreciation related to these expenses.

Geographical Segment Information

Geographical segment information is not disclosed, as the Company has no consolidated subsidiaries or significant branch offices outside Japan for the years ended March 31, 2009 and March 31, 2008.

Overseas Sales (April 1, 2008 - March 31, 2009)

Overseas sales are omitted because they constituted less than 10 percent of total net sales.

17. TRANSACTIONS WITH RELATED PARTIES

(Years ended March 31, 2009 and 2008)

None applicable.

18. BUSINESS COMBINATIONS

On April 1, 2008, subsequent to the merger of KOBASHOU.CO., LTD. ("Kobashou") with its four subsidiaries, PALTAC CORPORATION ("Paltac") and Kobashou merged, with Paltac as the surviving company and Kobashou as the dissolving company. The name of the combined company changed to PALTAC KS CORPORATION.

The mergers are aimed at expanding the sales and distribution network and further enhancing logistics services by combining the cosmetics, daily necessities and OTC pharmaceuticals, the main products handled by Paltac, with the OTC pharmaceuticals, health foods and daily necessities handled by Kobashou. They are also aimed at creating a next generation multi-channel wholesaler with customer-oriented functions that will make a greater contribution to drugstores and other customers in each area, as well as to society.

The Company applied "Accounting Standard for Business Combinations" (Business Accounting Council, October 31, 2003) and "Application Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, November 15, 2007) and treated the combination as a common control transaction.

19. SUBSEQUENT EVENTS

Cash Dividends

On May 15, 2009, the Board of Directors approved the payment of a cash dividend of ¥7.00 (\$0.07) per share to shareholders of record at March 31, 2009, for a total payment of ¥1,677 million (\$17,072 thousand).

Voluntary Early Retirement Offer

As part of the restructuring of the Mediceo Paltac Group's earnings structure for the future, the Company resolved at a Board of Directors meeting held on May 15, 2009 to offer early retirement to employees of eight of its wholly owned subsidiaries in the prescription pharmaceutical wholesale business, with a view to broadening employees' independence and future options.

(1) Number of employees to be extended the offer
1,000

(2) Eligible employees

Employees (including seconded employees) who will be between the ages of 50 and 59 and have at least ten years of service as of March 31, 2010.

(3) Offering period

June 1- June 30, 2009

(4) Retirement date

September 30, 2009

(5) Estimated total amount of severance payments

The Company estimates that payment of special premium severance payments with the implementation of the plan will be approximately ¥8,500 million (US\$86,532 thousand) on a consolidated basis.

(6) Other

In addition to paying a special premium severance payment to employees who take early retirement, the Company will provide them with reemployment support such as job placement and career consultation services.

Repurchase of Stock

The Company resolved at a Board of Directors meeting held on May 15, 2009 to repurchase shares of its own stock, pursuant to the Articles of Incorporation based on the provisions of Article 459, Paragraph 1 of the Corporation Law.

(1) Reason for making the share repurchase

The Company will repurchase shares of its own stock to enable speedy decision-making and agile management that is responsive to changes in the business environment.

(2) Description of repurchase

Method of repurchase: Open-market share purchase on the Tokyo Stock Exchange

Type of shares to be repurchased: Common stock of the Company

Total number of shares to be purchased: Up to 5 million shares

Total cost of the share repurchase: Up to ¥6,500 million

(US\$66,171 thousand)

(3) Timing of repurchase

From May 18, 2009 to September 15, 2009

Independent Auditors' Report

To the Shareholders and Board of Directors of Mediceo Paltac Holdings Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Mediceo Paltac Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2008 and 2009, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mediceo Paltac Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2008 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

As discussed in Note 19. to the consolidated financial statements, on May 15, 2009, the Board of Directors of Mediceo Paltac Holdings Co., Ltd. resolved to offer early retirement to employees of eight of its wholly owned subsidiaries in the prescription pharmaceutical wholesale business.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

(KPMG AZSA & Co.)

Tokyo, Japan

June 24, 2009