

Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2006

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan. July 28, 2005

MEDICEO Holdings Co., Ltd.

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Stock exchange listing: Tokyo (First Section)

Code number: 7459

1. Preparation of Quarterly Financial Information

(1) Use of simplified accounting method: Yes

a. Accounting standard for inventories

Inventories are stated as the amount of inventories on the company's books, based on inventories in the interim period. Actual inventories are not stated.

b. Accounting standard for income taxes

Income taxes are stated according to the estimated tax rate for the fiscal year based on the effective statutory tax rate.

c. Simplified procedures are used for certain other amounts that have an insignificant effect on consolidated results.

(2) Differences with accounting methods used in most recent consolidated fiscal year: No

(3) Changes in scope of consolidation and application of equity method: No

Consolidation : (New) None (Eliminated) None

Equity method: (New) None (Eliminated) None

2. Results for First Quarter of the Fiscal Year Ending March 31, 2006 (April 1, 2005 - June 30, 2005)

(1) Progress of Operating Results (Consolidated)

(Rounded down to the nearest million yen)

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on- year change (%)	Ordinary income (¥ million)	Year-on- year change (%)
Three months ended 6/30/05	426,662	3.0	1,609	(60.3)	4,874	(30.0)
Three months ended 6/30/04	414,043	30.7	4,058	33.5	6,967	77.6
(Ref.) Year ended 3/31/05	1,665,815		10,986		23,185	

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Three months ended 6/30/05	3,002	(28.6)	16.12	15.29
Three months ended 6/30/04	4,207	129.4	23.06	21.40
(Ref.) Year ended 3/31/05	8,729		45.90	43.52

Note: Year-on-year change for net sales, operating income etc. is based on the same period of previous fiscal year.

Qualitative Information on Progress of Business Results (Consolidated)

In the first quarter of fiscal 2006, the three months ended June 30, 2005, factors including increased capital investment and signs of improvement in the employment situation led to a solid recovery in the Japanese economy.

In the pharmaceutical industry, the core market for the MEDICEO Group, demand for influenza and pollen allergy treatments increased compared with the first quarter of the previous year due to extended epidemics. As a result, the market overall grew moderately.

Under these conditions, the MEDICEO Group implemented integrated marketing initiatives to expand sales of pharmaceuticals, and secured solid profits by working to maintain reasonable prices.

As a result of these factors, during the first quarter, consolidated net sales were ¥426,662 million (a 3.0 percent increase compared with the first quarter of the previous year), ordinary income was ¥4,874 million (a 30.0 percent decrease), and net income was ¥3,002 million (a 28.6 percent decrease).

The MEDICEO Group established a new three-year medium-term management plan effective from the year ending March 31, 2006 to the year ending March 31, 2008 ahead of management integration in line with a share exchange with PALTAC CORPORATION (“PALTAC”) on October 1, 2005.

Upon this management integration, the MEDICEO Group will use the combined management resources of both companies to launch new operations as a general wholesaler that appropriately responds to evolving markets. In addition, the Group will concentrate on solidifying its operating base.

(Basic Policy of the Medium-Term Consolidated Management Plan)
“Establish Customer-Oriented Distribution Business Model”

(Focus Points)

1. Create environment capable of supporting growth
2. Evolve logistics that start with the customer
3. Create new value that enriches life

(Consolidated Management Targets (Year ending March 31, 2008))

Net Sales	¥2,175 billion
Gross Profit	¥186.6 billion
SG&A	¥155.9 billion
Operating Income	¥30.7 billion
Ordinary Income	¥41.6 billion
Net Income	¥24.3 billion

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Return on assets (ROA)* 3.0%
Return on equity (ROE) ** 9.2%

*Return on assets = Operating income/Average total assets

**Return on equity = Net income/Average total shareholders' equity

(2) Changes in Financial Position (Consolidated)

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/ total assets (%)	Shareholders' equity per share (¥)
Three months ended 6/30/05	848,133	170,848	20.1	916.93
Three months ended 6/30/04	836,629	172,556	20.6	927.42
(Ref.) Year ended 3/31/05	848,416	168,104	19.8	904.59

(3) Consolidated Cash Flows

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Three months ended 6/30/05	1,931	(2,319)	(858)	117,875
Three months ended 6/30/04	8,743	31,937	(2,251)	108,541
(Ref.) Year ended 3/31/05	26,301	31,279	(8,516)	119,121

Qualitative Information on Changes in Financial Position (Consolidated)

In the first quarter, on a consolidated basis, net cash provided by operating activities was ¥1,931 million, net cash used in investing activities was ¥2,319 million, and net cash used in financing activities was ¥858 million. As a result, cash and cash equivalents (hereinafter referred to as “funds”) at the end of the period decreased ¥1,245 million (1.0%) from the end of the previous fiscal year to ¥117,875 million.

Cash Flows from Operating Activities

The increase in funds from operating activities was ¥1,931 million. Factors increasing funds included ¥4,289 million in income before income taxes and minority interests, a ¥1,308 million decrease in inventories, and a ¥2,843 million increase in notes and accounts payable, while main factors decreasing funds were ¥1,667 million in amortization of consolidation difference, a ¥3,617 million decrease in allowances, and a ¥1,400 million increase in notes and accounts receivable – trade.

Cash Flows from Investing Activities

The decrease in funds from investing activities was ¥2,319 million. Main components included ¥2,828 million in payments for purchase of property, plant and equipment at the SAITAMA DISTRIBUTION CENTER and other facilities.

Cash Flows from Financing Activities

The decrease in funds from financing activities was ¥858 million. The principal factors increasing funds included a net increase in short-term bank loans of ¥395 million, while principal factors decreasing funds included ¥1,116 million in cash dividends paid.

3. Projected Consolidated Results for Fiscal 2006 (April 1, 2005 - March 31, 2006)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Interim Fiscal 2006	832,000	8,400	6,100
Fiscal 2006	1,890,000	25,000	17,200

Reference: Estimated net income per share (fiscal 2006): ¥74.24

Note: Projections of results are prepared on the basis of information available to management on the date of announcement. Various factors could cause actual results to differ from the projected figures.

Qualitative Information on Projected Results

In regard to the projected consolidated results, there are no changes in the figures announced on May 13, 2005.

Net income per share is revised because the number of shares issued and outstanding increased in connection with the conversion of convertible bonds during the first quarter.

(Attachment)

Summary of Quarterly Consolidated Financial Statements

1. Quarterly Consolidated Balance Sheets (Summary)

(Millions of yen, rounded down to the nearest million; %)

	As of June 30, 2005		As of March 31, 2005		Increase (Decrease)		(Ref.) As of June 30, 2004	
ASSETS	848,133	100.0%	848,416	100.0%	(282)	(0.0)%	836,629	100.0%
Current assets	672,952	79.3	673,317	79.4	(364)	(0.1)	649,638	77.6
Cash on hand and in bank	119,123		120,635		(1,512)		110,226	
Notes and accounts receivable – trade	438,866		437,654		1,212		432,444	
Inventories	76,986		78,294		(1,308)		71,744	
Accounts receivable	33,712		33,028		683		31,230	
Other current assets	7,983		7,420		562		8,606	
Allowance for doubtful accounts	(3,719)		(3,716)		(2)		(4,614)	
Fixed assets	175,181	20.7	175,099	20.6	81	0.0	186,991	22.4
Tangible fixed assets:	122,458	14.5	122,616	14.5	(157)	(0.1)	125,616	15.0
Buildings and structures	49,945		48,645		1,300		50,344	
Land	62,689		62,721		(32)		65,040	
Other tangible fixed assets	9,823		11,249		(1,425)		10,232	
Intangible fixed assets	6,081	0.7	6,380	0.7	(299)	(4.7)	6,732	0.8
Investments and other assets	46,640	5.5	46,102	5.4	538	1.2	54,642	6.6
Investment securities	31,959		31,366		593		27,175	
Other	19,671		19,557		114		33,770	
Allowance for doubtful accounts	(4,990)		(4,820)		(169)		(6,303)	
Total assets	848,133	100.0	848,416	100.0	(282)	(0.0)	836,629	100.0
LIABILITIES	677,280	79.9	679,571	80.1	(2,290)	(0.3)	663,368	79.3
Current liabilities:	615,709	72.6	613,939	72.4	1,770	0.3	599,986	71.7
Notes and accounts payable – trade	587,110		584,267		2,843		565,077	
Short-term bank loans	6,085		5,750		335		9,928	
Reserve for bonuses	4,673		6,860		(2,186)		4,935	
Allowance for losses on sales returns	710		710		—		797	
Other current liabilities	17,129		16,350		778		19,247	
Long-term liabilities:	61,571	7.3	65,632	7.7	(4,060)	(6.2)	63,381	7.6
Convertible bonds	9,200		9,254		(54)		9,842	
Long-term debt	582		656		(74)		616	
Employees' retirement benefits	14,503		15,975		(1,472)		12,475	
Allowance for losses on debt guarantees	—		—		—		74	
Consolidation difference	26,787		28,583		(1,795)		33,668	
Other long-term liabilities	10,498		11,163		(664)		6,704	
MINORITY INTERESTS	4	0.0	741	0.1	(736)	(99.4)	705	0.1
Minority interests	4	0.0	741	0.1	(736)	(99.4)	705	0.1
SHAREHOLDERS' EQUITY	170,848	20.1	168,104	19.8	2,744	1.6	172,556	20.6
Common stock	17,813	2.1	17,786	2.1	26	0.2	17,492	2.1
Capital surplus	64,217	7.6	67,618	8.0	(3,400)	(5.0)	67,324	8.0
Retained earnings	104,049	12.2	98,910	11.6	5,138	5.2	95,948	11.5
Revaluation surplus	(19,533)	(2.3)	(19,660)	(2.3)	127	—	(11,479)	(1.4)
Unrealized gain on certain investment securities	6,341	0.7	6,123	0.7	217	3.6	4,850	0.6
Treasury stock, at cost	(2,039)	(0.2)	(2,673)	(0.3)	634	—	(1,579)	(0.2)
Total liabilities, minority interests and shareholders' equity	848,133	100.0	848,416	100.0	(282)	(0.0)	836,629	100.0

2. Quarterly Consolidated Statements of Operations (Summary)

(Millions of yen, rounded down to the nearest million; %)

	Three months ended June 30, 2005		Three months ended June 30, 2004		Increase (Decrease)		(Ref.) Year ended March 31, 2005	
Net sales	426,662	100.0%	414,043	100.0%	12,618	3.0%	1,665,815	100.0%
Cost of sales	393,228	92.2	377,760	91.2	15,467	4.1	1,528,097	91.7
Provision for losses on sales returns	—	—	—	—	—	—	(87)	(0.0)
Gross profit	33,434	7.8	36,283	8.8	(2,848)	(7.9)	137,805	8.3
Selling, general and administrative expenses	31,824	7.4	32,224	7.8	(400)	(1.2)	126,818	7.6
Operating income	1,609	0.4	4,058	1.0	(2,448)	(60.3)	10,986	0.7
Non-operating income:	3,412	0.8	3,201	0.8	210	6.6	13,339	0.8
Interest and dividend income	253		159		94		551	
Research fee income	1,115		962		153		4,251	
Amortization of consolidation difference	1,667		1,663		4		6,628	
Other non-operating income	375		416		(41)		1,907	
Non-operating expenses:	146	0.1	291	0.1	(145)	(49.7)	1,140	0.1
Interest expense	22		44		(22)		235	
Other non-operating expenses	124		247		(122)		905	
Ordinary income	4,874	1.1	6,967	1.7	(2,092)	(30.0)	23,185	1.4
Extraordinary gains:	361	0.1	3	0.0	358	—	2,131	0.1
Gain on sales of fixed assets	20		0		20		1,669	
Gain on revision of retirement benefit system	341		—		341		—	
Other extraordinary gains	0		3		(3)		462	
Extraordinary losses:	947	0.2	344	0.1	602	175.0	6,012	0.3
Loss on sale and disposal of fixed assets	197		80		117		974	
Special retirement benefits	—		—		—		753	
Sales office consolidation expenses	84		251		(167)		1,064	
Loss on revision of retirement benefit system	—		—		—		853	
Loss on termination of retirement plan	—		—		—		1,190	
Loss on impairment of fixed assets	663		—		663		—	
Other extraordinary losses	2		12		(10)		1,175	
Income before income taxes and minority interests	4,289	1.0	6,626	1.6	(2,337)	(35.3)	19,304	1.2
Income taxes	1,287	0.3	2,394	0.6	(1,107)	(46.3)	10,503	0.7
Gain in minority interests	0	0.0	24	0.0	(24)	(99.8)	72	0.0
Net income	3,002	0.7	4,207	1.0	(1,204)	(28.6)	8,729	0.5

3. Quarterly Consolidated Statements of Retained Earnings

(Millions of yen, rounded down to the nearest million)

	Three months ended June 30, 2005	Three months ended June 30, 2004	(Ref.) Year ended March 31, 2005
CAPITAL SURPLUS			
Capital surplus, beginning of period	67,618	30,064	30,064
Increase in capital surplus	247	37,259	37,553
Increase due to share exchange	120	34,151	34,151
Increase due to conversion of convertible bonds	26	2,308	2,602
Gain on retirement of treasury stock	100	800	800
Decrease in capital surplus	3,647	—	—
Decrease due to reversal of additional paid-in capital	3,647	—	—
Capital surplus, end of period	64,217	67,324	67,618
RETAINED EARNINGS			
Retained earnings, beginning of period	98,910	93,308	93,308
Increase in retained earnings	6,649	4,224	8,729
Net income	3,002	4,207	8,729
Disposition of land revaluation surplus	—	17	—
Increase due to reversal of additional paid-in capital	3,647	—	—
Decrease in retained earnings	1,511	1,585	3,126
Cash dividends paid	1,113	1,261	2,380
Bonuses to directors and statutory auditors	222	323	357
[Bonuses to statutory auditors]	[17]	[19]	[22]
Decrease in retained earnings due to exclusion from consolidation	—	—	0
Disposition of land revaluation surplus	174	—	388
Retained earnings, end of period	104,049	95,948	98,910

4. Quarterly Consolidated Statements of Cash Flows (Summary)

(Millions of yen, rounded down to the nearest million)

	Three months ended June 30, 2005	Three months ended June 30, 2004	(Ref.) Year ended March 31, 2005
Cash flows from operating activities			
Income before income taxes and minority interests	4,289	6,626	19,304
Depreciation and amortization	1,895	1,793	7,625
Loss on impairment of fixed assets	663	—	—
Amortization of consolidation difference	(1,667)	(1,663)	(6,628)
Increase (decrease) in employees' retirement benefits – net	(1,602)	546	2,207
Decrease in officers' retirement benefits	—	(2,397)	(2,397)
Decrease in accrued employees' bonuses	(2,186)	(2,582)	(648)
Increase (decrease) in allowance for doubtful accounts	172	2	(2,378)
Decrease in allowance for returns	—	—	(87)
Reversal of allowance for losses on debt guarantees	—	—	(74)
Decrease in notes and accounts receivable – trade	(1,400)	(8,171)	(11,373)
Decrease (increase) in inventories	1,308	(3,206)	(9,717)
Increase in notes and accounts payable	2,843	22,957	42,147
Others	(1,754)	(1,820)	(3,713)
Subtotal	2,559	12,083	34,266
Cash paid for income taxes	(861)	(3,462)	(7,530)
Others	233	121	(435)
Net cash provided by operating activities	1,931	8,743	26,301
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	(2,828)	(2,848)	(7,812)
Proceeds from sale of property, plant and equipment	221	38	4,197
Receipt from acquisition of shares of subsidiaries in connection with changes in the scope of consolidation	—	35,258	35,258
Other, net	286	(509)	(362)
Net cash provided by (used in) investing activities	(2,319)	31,937	31,279
Cash flows from financing activities			
Increase (decrease) in short-term bank loans – net	395	(756)	(4,714)
Proceeds from long-term debt	—	—	430
Repayment of long-term debt	(134)	(214)	(735)
Repayment of convertible bonds	(0)	(0)	(0)
Purchase of treasury stock	(2)	(12)	(1,106)
Cash dividends paid	(1,113)	(862)	(1,981)
Cash dividends paid to minority shareholders	(3)	(405)	(408)
Net cash used in financing activities	(858)	(2,251)	(8,516)
Effect of exchange rate change on cash and cash equivalents	—	—	—
Net increase (decrease) in cash and cash equivalents	(1,245)	38,429	49,064
Cash and cash equivalents at beginning of period	119,121	70,112	70,112
Decrease in cash and cash equivalents due to change in scope of consolidation	—	—	(55)
Cash and cash equivalents at end of period	117,875	108,541	119,121

5. Segment Information

(1) Business segment information

Current first quarter (April 1, 2005 – June 30, 2005), previous first quarter (April 1, 2004 – June 30, 2004) and previous fiscal year (April 1, 2004 – March 31, 2005)

Business segment information is not disclosed because the net sales, operating income and assets of the pharmaceutical wholesale distribution business account for more than 90 percent of the total net sales, operating income and assets of all segments.

(2) Geographic segment information

Current first quarter (April 1, 2005 – June 30, 2005), previous first quarter (April 1, 2004 – June 30, 2004) and previous fiscal year (April 1, 2004 – March 31, 2005)

Geographic segment information is not disclosed because the company has no consolidated subsidiaries or offices in countries or regions outside Japan.

(3) Overseas sales

Current first quarter (April 1, 2005 – June 30, 2005), previous first quarter (April 1, 2004 – June 30, 2004) and previous fiscal year (April 1, 2004 – March 31, 2005)

None

6. Production, Orders and Sales

(1) Sales

(Millions of yen, rounded down to the nearest million)

	Three months ended June 30, 2005		Three months ended June 30, 2004		Year ended March 31, 2005	
Prescription pharmaceuticals	368,238	86.3%	357,458	86.3%	1,431,988	86.0%
OTC pharmaceuticals	14,207	3.3	15,159	3.7	59,458	3.6
Medical equipment, tools and clinical materials	24,230	5.7	23,576	5.7	101,582	6.1
Diagnostic reagents	8,340	2.0	8,037	1.9	32,543	1.9
Others	11,645	2.7	9,811	2.4	40,242	2.4
Total	426,662	100.0	414,043	100.0	1,665,815	100.0

(2) Purchases

(Millions of yen, rounded down to the nearest million)

	Three months ended June 30, 2005		Three months ended June 30, 2004		Year ended March 31, 2005	
Prescription pharmaceuticals	339,250	86.6%	328,196	86.2%	1,328,606	86.4%
OTC pharmaceuticals	12,851	3.3	14,577	3.8	53,083	3.4
Medical equipment, tools and clinical materials	21,579	5.5	21,539	5.7	92,501	6.0
Diagnostic reagents	7,594	1.9	7,476	2.0	29,287	1.9
Others	10,578	2.7	8,886	2.3	34,905	2.3
Total	391,855	100.0	380,676	100.0	1,538,384	100.0

7. Other

None

Summary of Unconsolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2006

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

July 28, 2005

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Phone: +81-3-3517-5171

Stock exchange listing: Tokyo (First Section)

Code number: 7459

1. Preparation of Quarterly Financial Information

(1) Use of simplified accounting method: Yes

a. Accounting standard for inventories

Inventories are stated as the amount of inventories on the company's books, based on inventories in the previous fiscal year. Actual inventories are not stated.

b. Accounting standard for income taxes

Income taxes are stated according to the estimated tax rate for the fiscal year based on the effective statutory tax rate.

c. Simplified procedures are used for certain other amounts that have an insignificant effect on unconsolidated results.

(2) Differences with accounting methods used in most recent consolidated fiscal year: No

2. Results for First Quarter of the Fiscal Year Ending March 31, 2006 (April 1, 2005 – June 30, 2005)

As of October 1, 2004, the Company became an operating holding company through a corporate separation.

(1) Progress of Operating Results (Unconsolidated)

(Rounded down to the nearest million yen)

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on- year change (%)	Ordinary income (¥ million)	Year-on- year change (%)
Three months ended 6/30/05	374,761	20.1	670	(67.2)	2,288	(21.0)
Three months ended 6/30/04	312,043	3.0	2,044	(14.6)	2,895	(13.5)
(Ref.) Year ended 3/31/05	1,336,544		4,325		8,759	

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Three months ended 6/30/05	1,158	(30.5)	6.22	5.90
Three months ended 6/30/04	1,665	(28.0)	9.13	8.47
(Ref.) Year ended 3/31/05	2,526		13.17	12.67

Note: Year-on-year change for net sales, operating income etc. is based on the same period of the previous fiscal year.

3. Projected Unconsolidated Results for Fiscal 2006 (April 1, 2005 - March 31, 2006)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Annual dividends per share (¥)		
				Interim	Year-end	
Interim 2006	727,000	3,500	1,800	6.00	—	—
Fiscal 2006	1,475,000	6,500	3,500	—	6.00	12.00

Reference: Estimated net income per share (fiscal 2006): ¥15.11

Note: Projections of results are prepared on the basis of information available to management on the date of announcement. Various factors could cause actual results to differ from the projected figures.

Qualitative Information on Projected Results

There is no change from the projected unconsolidated results announced on May 13, 2005.

Net income per share is revised because the number of shares issued and outstanding increased in connection with the conversion of convertible bonds during the first quarter.

(Attachment)

Summary of Quarterly Unconsolidated Financial Statements

1. Quarterly Unconsolidated Balance Sheets (Summary)

(Millions of yen, rounded down to the nearest million; %)

	As of June 30, 2005		As of March 31, 2005		Increase/ decrease		(Ref.) As of June 30, 2005	
ASSETS	777,220	100.0%	771,838	100.0%	5,381	0.7%	676,092	100.0%
Current assets	597,709	76.9	593,290	76.9	4,419	0.7	474,574	70.2
Cash on hand and in bank	36,636		38,332		(1,696)		51,464	
Trade notes receivable	98		191		(93)		11,181	
Trade accounts receivable	495,750		489,289		6,461		339,245	
Inventories	40,978		41,999		(1,020)		43,931	
Accounts receivable	22,902		22,477		425		25,103	
Other current assets	1,344		1,000		343		4,453	
Allowance for doubtful accounts	—		—		—		(806)	
Fixed assets	179,510	23.1	178,548	23.1	962	0.5	201,518	29.8
Tangible fixed assets:	50,572	6.5	50,516	6.5	55	0.1	78,934	11.7
Buildings	24,533		23,112		1,421		32,580	
Land	18,309		18,545		(235)		37,121	
Other tangible fixed assets	7,728		8,858		(1,130)		9,232	
Intangible fixed assets	4,871	0.6	5,097	0.7	(225)	(4.4)	5,685	0.8
Investments and other assets:	124,067	16.0	122,935	15.9	1,132	0.9	116,898	17.3
Equity in subsidiaries and affiliates	109,206		108,468		737		85,271	
Other	14,962		14,573		388		34,308	
Allowance for doubtful accounts	(101)		(107)		6		(2,680)	
Total assets	777,220	100.0	771,838	100.0	5,381	0.7	676,092	100.0
LIABILITIES	580,903	74.7	576,359	74.7	4,543	0.8	472,226	69.8
Current liabilities:	567,844	73.0	563,118	73.0	4,726	0.8	453,330	67.0
Trade notes payable	11,938		11,435		502		10,791	
Trade accounts payable	538,550		526,532		12,018		427,158	
Short-term bank loans	—		—		—		20	
Reserve for bonuses	381		676		(294)		2,246	
Allowance for losses on sales returns	—		—		—		547	
Other current liabilities	16,974		24,473		(7,499)		12,565	
Long-term liabilities:	13,058	1.7	13,241	1.7	(182)	(1.4)	18,895	2.8
Convertible bonds	9,200		9,254		(54)		9,842	
Employees' retirement benefits	—		—		—		4,443	
Other long-term liabilities	3,858		3,987		(128)		4,610	
SHAREHOLDERS' EQUITY	196,317	25.3	195,479	25.3	838	0.4	203,866	30.2
Common stock	17,813	2.3	17,786	2.3	26	0.2	17,492	2.6
Capital surplus	103,619	13.3	103,492	13.4	127	0.1	103,198	15.3
Additional paid-in capital	101,006		100,979		26		100,685	
Other capital surplus	2,612		2,512		100		2,512	
Retained earnings	91,727	11.8	91,799	11.9	(72)	(0.1)	92,417	13.7
Legal reserve	1,795		1,795		—		1,795	
Voluntary reserves	86,150		86,394		(243)		86,394	
Unallocated profit for the period	3,781		3,610		171		4,227	
Revaluation surplus	(18,752)	(2.4)	(18,780)	(2.5)	28	—	(11,354)	(1.7)
Unrealized gain on securities	4,506	0.6	4,413	0.6	93	2.1	4,249	0.6
Treasury stock	(2,596)	(0.3)	(3,231)	(0.4)	634	—	(2,136)	(0.3)
Total liabilities and shareholders' equity	777,220	100.0	771,838	100.0	5,381	0.7	676,092	100.0

2. Quarterly Unconsolidated Statements of Operations (Summary)

(Millions of yen, rounded down to the nearest million; %)

	Three months ended June 30, 2005		Three months ended June 30, 2004		Increase/ decrease		(Ref.) Year ended March 31, 2005	
Net sales	374,761	100.0%	312,043	100.0%	62,717	20.1%	1,336,544	100.0%
Cost of sales	367,654	98.1	290,512	93.1	77,141	26.6	1,281,189	95.9
Provision for losses on sales returns	—	—	—	—	—	—	(47)	(0.0)
Gross profit	7,107	1.9	21,530	6.9	(14,423)	(67.0)	55,403	4.1
Selling, general and administrative expenses	6,437	1.7	19,486	6.2	(13,049)	(67.0)	51,077	3.8
Operating income	670	0.2	2,044	0.7	(1,374)	(67.2)	4,325	0.3
Non-operating income:	1,773	0.4	1,058	0.3	715	67.6	5,330	0.4
Interest and dividend income	439		125		313		575	
Research fee income	930		584		346		2,979	
Other non-operating income	403		348		55		1,774	
Non-operating expenses:	154	0.0	207	0.1	(52)	(25.2)	896	0.0
Interest expense	1		12		(10)		126	
Other non-operating expenses	153		194		(41)		769	
Ordinary income	2,288	0.6	2,895	0.9	(606)	(21.0)	8,759	0.7
Extraordinary gains:	—	—	353	0.1	(353)	—	2,183	0.1
Gain on sale of fixed assets	—		0		(0)		1,573	
Gain on transfer of business	—		350		(350)		350	
Reversal of allowance for doubtful accounts	—		—		—		246	
Other extraordinary gains	—		3		(3)		13	
Extraordinary losses:	576	0.2	310	0.1	266		5,035	0.4
Loss on sale and disposal of fixed assets	78		58		19	85.9	249	
Loss on valuation of equity in affiliates	—		—		—		2,367	
Special retirement benefits	—		—		—		595	
Office consolidation expenses	—		251		(251)		964	
Loss on business withdrawal of affiliates	—		—		—		503	
Corporate separation expenses	—		—		—		310	
Loss on impairment of fixed assets	498		—		498		—	
Other extraordinary losses	—		—		—		43	
Income before income taxes	1,712	0.4	2,938	0.9	(1,226)	(41.7)	5,907	0.4
Income taxes	554	0.1	1,273	0.4	(719)	(56.5)	3,381	0.2
Net income	1,158	0.3	1,665	0.5	(507)	(30.5)	2,526	0.2
Profit brought forward from the previous term	2,652		2,562		90		2,562	
Disposition of land revaluation surplus	(28)		—		(28)		(359)	
Interim dividends	—		—		—		1,119	
Unappropriated retained earnings at the end of the period	3,781		4,227		(445)		3,610	