

Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2008

July 30, 2007

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

Mediceo Paltac Holdings Co., Ltd.

Code number: 7459

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1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2008 (April 1, 2007 to June 30, 2007)

(1) Sales and Income (Percentages represent change compared with the corresponding period of the previous fiscal year.)

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on- year change (%)	Ordinary income (¥ million)	Year-on- year change (%)
Three months ended June 30, 2007	557,857	3.3	6,527	(29.7)	10,278	(18.0)
Three months ended June 30, 2006	540,099	26.6	9,286	476.9	12,540	157.2
Year ended March 31, 2007	2,166,762	—	27,776	—	41,574	—

	Net income (¥ million)	Year-on- year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Three months ended June 30, 2007	6,247	(17.5)	27.00	26.83
Three months ended June 30, 2006	7,569	152.1	32.89	32.62
Year ended March 31, 2007	19,105	—	82.86	82.29

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio [%]	Net assets per share (¥)
As of June 30, 2007	1,039,659	265,568	25.5	1,147.34
As of June 30, 2006	1,008,804	246,904	24.5	1,071.98
As of March 31, 2007	1,032,931	261,111	25.3	1,128.39

(3) 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 June 30, 2007	(15,370)	(2,193)	(3,724)	121,259
Three months ended June 30, 2006	(12,400)	(3,824)	119	128,325
Year ended March 31, 2007	19,836	(20,137)	(1,690)	142,439

2. Projected Consolidated Results for the Fiscal Year Ending March 31, 2008 (April 1, 2007 - March 31, 2008) [For Reference]

(Percentages represent change compared to the previous interim period or fiscal year, as applicable)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share (¥)
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	
Interim	1,106,000	3.0	11,300	(21.1)	18,200	(16.0)	11,000	27.4	47.52
Full year	2,234,000	3.1	25,200	(9.3)	39,000	(6.2)	23,500	23.0	101.53

Notes: 1. There is no change from the projected consolidated results announced on May 14, 2007.

2. Projected earnings per share have been amended to reflect an increase in shares issued and outstanding due to the conversion of convertible bonds in the first quarter.

3. Other

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No
- (2) Use of simplified of accounting methods: Yes
- (3) Changes in consolidated accounting methods from the most recent fiscal year: Yes

Note: For details, see “4. Other” of “Qualitative Information and Financial Statements, etc.” on page 4.

(Reference) Summary of Unconsolidated Results

1. Unconsolidated Results for the First Three Months of the Fiscal Year Ending March 31, 2008 (April 1, 2007 – June 30, 2007)

(1) Sales and Income (Percentages represent change compared with the corresponding period of the previous fiscal year.)

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Three months ended June 30, 2007	384,799	3.1	771	1.8	4,650	(5.8)
Three months ended June 30, 2006	373,088	(0.4)	757	13.0	4,936	115.7
Year ended March 31, 2007	1,503,798	—	2,418	—	11,691	—

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Three months ended June 30, 2007	3,755	(6.4)	16.23	16.13
Three months ended June 30, 2006	4,013	246.5	17.44	17.29
Year ended March 31, 2007	7,401	—	32.10	31.90

(2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/ total assets (%)	Shareholders' equity per share (¥)
As of June 30, 2007	859,986	258,837	30.1	1,118.26
As of June 30, 2006	847,804	251,894	29.7	1,093.64
As of March 31, 2007	855,512	256,796	30.0	1,109.74

2. Projected Unconsolidated Results for the Fiscal Year Ending March 31, 2008 (April 1, 2007 – March 31, 2008)

(Percentages represent change compared to the previous interim period or fiscal year, as applicable)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Interim period 2008	764,000	2.3	1,200	(1.5)	6,200	(7.0)	4,500	(6.8)	19.44
Fiscal 2008	1,546,000	2.8	1,500	(38.0)	10,900	(6.8)	7,800	5.4	33.70

Notes: 1. There is no change from the projected consolidated results announced on May 14, 2007.

2. Projected earnings per share have been amended to reflect an increase in shares issued and outstanding due to the conversion of convertible bonds in the first quarter.

About Projected Results

The projected results for the fiscal year ending March 31, 2008 contained in this document are based on information currently available to the Company and certain assumptions it considers reasonable. Due to various factors, actual results may differ materially from the forecast.

Qualitative Information and Financial Statements, etc.

1. Qualitative Information on Consolidated Business Results

In the first quarter of fiscal 2008, the three months ended June 30, 2007, increased consumer spending and capital investment and widening improvement in the employment situation, despite some remaining severity, contributed to moderate recovery in the Japanese economy.

Aiming to create a new, customer-driven business model, the Mediceo Paltac Group implemented reforms centered on the three fundamental strategies of “competitive strategy,” “value strategy” and “internal operations strategy” based on a review conducted by the Business Innovation Committee.

For the first quarter, consolidated net sales were ¥557,857 million (a 3.3 percent increase compared with the first quarter of the previous year), operating income was ¥6,527 million (a 29.7 percent decrease), ordinary income was ¥10,278 million (an 18.0 percent decrease) and net income was ¥6,247 million (a 17.5 percent decrease).

A summary of results by principal business segments follows below.

Prescription Pharmaceutical Wholesale Business

Sales of prescription pharmaceuticals were steady, as Mediceo Paltac aggressively worked on information provision and sales of new products, and focused on lifestyle disease medications, which are in growing demand.

As a result, sales of the Prescription Pharmaceutical Wholesale Business were ¥422,835 million (a 2.7 percent increase compared with the first quarter of the previous year).

Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

Sales of cosmetics and daily necessities remained steady. In consolidating the OTC pharmaceutical business, we completed the transfer of employees to PALTAC CORPORATION, which handles the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale business, and the consolidation of distribution operations, thus establishing an organizational structure that enables the Mediceo Paltac Group to exercise its strengths as a multi-channel wholesaler. As a result, sales of the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale business were ¥133,947 million (a 5.6 percent increase compared with the first quarter of the previous year).

In addition, we constructed a large-scale, high-tech distribution center (RDC Sakai) in western Sakai city to prepare for future business expansion in ways such as further enhancing service functions for suppliers and customers and reducing costs. The new facility began operations in May.

Related Business

Sales of industrial chemicals and food additives were favorable despite inventory adjustments in the semiconductor industry, due to rising demand for food inspection-related equipment. As a result, sales of related business were ¥1,526 million (a 10.8 percent increase compared with the first quarter of the previous year).

Note: Business segment sales include intersegment sales.

2. Qualitative Information on Consolidated Financial Position

(1) Assets, Liabilities and Net Assets

Total assets as of June 30, 2007 were ¥1,039,659 million, an increase of ¥6,728 million from the end of the previous fiscal year. This was mainly due to increases of ¥22,313 million in notes and accounts receivable, trade and ¥3,998 million in inventories, although cash on hand and in bank decreased ¥21,189 million.

Liabilities totaled ¥774,091 million, an increase of ¥2,272 million from the end of the previous fiscal year. Although short-term bank loans decreased ¥1,983 million, provision for employees' bonuses decreased ¥1,794 million and negative goodwill decreased ¥1,749 million, liabilities increased mainly because of an ¥8,921 million increase in notes and accounts payable, trade.

Net assets were ¥265,568 billion, an increase of ¥4,456 million from the end of the previous fiscal year. This was mainly due to a ¥4,516 million increase in retained earnings.

(2) Cash Flows

On a consolidated basis in the first quarter, net cash used in operating activities was ¥15,370 million, net cash used in investing activities was ¥2,193 million, and net cash used in financing activities was ¥3,724 million. In addition, the increase in cash and cash equivalents (“cash”) from the merger of consolidated subsidiaries was ¥108 million. As a result, cash at the end of the period decreased ¥21,179 million (14.9 percent) from the end of the previous fiscal year to ¥121,259 million.

Cash Flows from Operating Activities

The decrease in cash from operating activities was ¥15,370 million (a decrease of ¥12,400 million was recorded in the same period of the previous year). Main factors were increases of ¥22,105 million in notes and accounts receivable, trade and ¥3,998 million in inventories, in addition to ¥4,009 million in cash paid for income taxes. Income before income taxes was ¥10,260 million, and notes and accounts payable, trade increased ¥8,921 million.

Cash Flows from Investing Activities

The decrease in cash from investing activities was ¥2,193 million (a decrease of ¥3,824 million was recorded in the same period of the previous year). The main factor was ¥2,136 million in payments for purchases of property and equipment including RDC Saikai.

Cash Flows from Financing Activities

The decrease in cash from financing activities was ¥3,724 million (an increase of ¥119 million was recorded in the same quarter of the previous year). Main factors were repayment of short-term bank loans totaling ¥1,983 million and cash dividends paid to shareholders totaling ¥1,735 million.

3. Qualitative Information on Projected Consolidated Results

Net sales and income are both generally progressing in line with the initial forecast, and there is currently no change from the projected consolidated results announced on May 14, 2007.

4. Other

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No
- (2) Use of simplified accounting methods: Yes
 - Accounting standard for calculating inventories: Actual inventories at end of period are not calculated. Instead, a book amount based on actual inventories at the end of the previous period is used.
 - Accounting standard for calculating income taxes: Income taxes are calculated based on an estimated annual tax rate based on the effective tax rate.
- (3) Changes in consolidated accounting methods from the most recent fiscal year
 - Due to revisions to the Corporate Tax Law, for depreciation of tangible fixed assets acquired after April 1, 2007, the Company has changed to a calculation method based on the revised Corporation Tax Law.

Summary of Quarterly Consolidated Financial Statements

1. Quarterly Consolidated Balance Sheets (Summary)

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

	As of March 31, 2007		As of June 30, 2007		Increase (Decrease)		As of June 30, 2006	
ASSETS	1,032,931	100.0%	1,039,659	100.0%	6,728	0.7%	1,008,804	100.0%
Current assets	795,807	77.0	803,310	77.3	7,502	0.9	788,775	78.2
Cash	147,674		126,484		(21,189)		129,745	
Notes and accounts receivable, trade	492,847		515,161		22,313		504,310	
Inventories	106,218		110,217		3,998		108,427	
Accounts receivable	41,787		43,695		1,908		40,113	
Other current assets	10,064		10,588		524		11,761	
Allowance for doubtful accounts	(2,784)		(2,837)		(52)		(5,582)	
Fixed assets	237,123	23.0	236,349	22.7	(773)	(0.3)	220,028	21.8
Tangible fixed assets	151,520	14.7	150,866	14.5	(653)	(0.4)	153,628	15.2
Buildings and structures	65,499		64,865		(633)		63,645	
Land	70,338		70,188		(149)		72,645	
Other tangible fixed assets	15,682		15,812		129		17,336	
Intangible fixed assets	13,493	1.3	12,465	1.2	(1,028)	(7.6)	5,878	0.6
Goodwill	8,567		7,913		(654)		—	
Other	4,926		4,552		(374)		5,878	
Investments and other assets	72,108	7.0	73,017	7.0	908	1.3	60,522	6.0
Investment securities	56,950		56,693		(257)		46,694	
Other	19,286		19,696		410		18,093	
Allowance for doubtful accounts	(4,128)		(3,373)		755		(4,265)	
Total assets	1,032,931	100.0	1,039,659	100.0	6,728	0.7	1,008,804	100.0

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

	As of		As of		Increase		As of	
	March 31, 2007		June 30, 2007		(Decrease)		June 30, 2006	
LIABILITIES	771,819	74.7	774,091	74.5	2,272	0.3	761,899	75.5
Current liabilities	716,061	69.3	721,027	69.4	4,966	0.7	713,636	70.7
Notes and accounts payable, trade	646,329		655,250		8,921		645,611	
Short-term bank loans	36,250		35,349		(900)		32,532	
Provision for employees' bonuses	7,882		6,087		(1,794)		6,113	
Allowance for losses on sales returns	909		909		—		993	
Other current liabilities	24,689		23,429		(1,259)		28,385	
Long-term liabilities	55,757	5.4	53,063	5.1	(2,693)	(4.8)	48,263	4.8
Convertible bonds	1,340		1,279		(61)		1,586	
Long-term debt	4,468		3,385		(1,083)		8,139	
Employees' severance and retirement benefits	17,267		16,377		(889)		17,582	
Negative goodwill	13,978		12,228		(1,749)		10,490	
Other long-term liabilities	18,704		19,793		1,088		10,465	
NET ASSETS	261,111	25.3	265,568	25.5	4,456	1.7	246,904	24.5
Shareholders' equity	266,084	25.8	270,656	26.0	4,571	1.7	254,311	25.2
Common stock	21,743	2.1	21,773	2.1	30	0.1	21,620	2.2
Capital surplus	132,878	12.9	132,909	12.8	30	0.0	131,468	13.0
Retained earnings	129,760	12.6	134,277	12.9	4,516	3.5	120,142	11.9
Less treasury stock, at cost	(18,297)	(1.8)	(18,303)	(1.8)	(5)	—	(18,918)	(1.9)
Valuation, and translation adjustments	(4,972)	(0.5)	(5,088)	(0.5)	(115)	—	(7,407)	(0.7)
Unrealized gain on securities, net of taxes	13,099	1.3	12,988	1.2	(110)	(0.8)	10,872	1.1
Land revaluation differences, net of taxes	(18,071)	(1.8)	(18,076)	(1.7)	(4)	—	(18,279)	(1.8)
Total liabilities and total net assets	1,032,931	100.0	1,039,659	100.0	6,728	0.7	1,008,804	100.0

2. Quarterly Consolidated Statements of Income (Summary)

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

	Three months ended June 30, 2006		Three months ended June 30, 2007		Increase (Decrease)		Year ended March 31, 2007	
Net sales	540,099	100.0%	557,857	100.0%	17,757	3.3%	2,166,762	100.0%
Cost of sales	491,205	90.9	510,918	91.6	19,712	4.0	1,978,611	91.3
Provision for allowance for losses on sales returns	—	—	—	—	—	—	(83)	(0.0)
Gross profit	48,894	9.1	46,939	8.4	(1,955)	(4.0)	188,235	8.7
Selling, general and administrative expenses	39,608	7.4	40,411	7.2	803	2.0	160,459	7.4
Operating income	9,286	1.7	6,527	1.2	(2,759)	(29.7)	27,776	1.3
Non-operating income:	3,682	0.7	4,146	0.7	464	12.6	15,532	0.7
Interest and dividend income	521		425		(96)		1,265	
Research fee income	1,124		1,255		130		5,076	
Amortization of negative goodwill	1,258		1,749		491		6,067	
Other non-operating income	777		716		(60)		3,122	
Non-operating expenses:	428	0.1	396	0.1	(32)	(7.6)	1,734	0.1
Interest expenses	87		122		34		417	
Other non-operating expenses	340		273		(67)		1,316	
Ordinary income	12,540	2.3	10,278	1.8	(2,262)	(18.0)	41,574	1.9
Extraordinary gains:	43	0.0	256	0.0	212	489.6	3,144	0.2
Gain on sale of fixed assets	37		117		80		365	
Reversal of allowance for doubtful accounts	—		—		—		2,574	
Gain on revision of employees' retirement benefit system	—		135		135		—	
Other extraordinary gains	6		3		(3)		205	
Extraordinary losses:	405	0.1	273	0.0	(131)	(32.4)	10,379	0.5
Loss on sale and disposal of fixed assets	83		136		53		729	
Loss on impairment of fixed assets	223		46		(176)		2,767	
Additional retirement benefits for employees	—		—		—		5,750	
Restructuring costs of business establishments	56		0		(55)		455	
Loss on elimination of cross- held shares	—		87		87		—	
Other extraordinary losses	42		3		(39)		676	
Income before income taxes and minority interests	12,178	2.2	10,260	1.8	(1,918)	(15.8)	34,339	1.6
Income taxes	4,609	0.8	4,012	0.7	(596)	(12.9)	15,233	0.7
Net income	7,569	1.4	6,247	1.1	(1,321)	(17.5)	19,105	0.9

3. Quarterly Consolidated Statements of Changes in Net Assets (Summary)

Three months ended June 30, 2006

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

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	21,479	131,328	115,948	(18,909)	249,846
Changes during the three months ended June 30, 2006					
Issuance of new stock	140	140			280
Dividends from retained earnings*			(2,070)		(2,070)
Bonuses to directors and corporate auditors*			(424)		(424)
Merger/separation of consolidated subsidiaries			(606)		(606)
Net income			7,569		7,569
Acquisition of treasury stock				(9)	(9)
Reverse of land revaluation differences			(274)		(274)
Change in items other than shareholders' equity during the three months ended June 30, 2006 (net)					
Total changes during the three months ended June 30, 2006	140	140	4,193	(9)	4,465
Balance at June 30, 2006	21,620	131,468	120,142	(18,918)	254,311

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

	Valuation, translation and other adjustments			Total net assets
	Unrealized gains on securities, net of taxes	Land revaluation difference, net of taxes	Total valuation, translation and other adjustments	
Balance at March 31, 2006	11,317	(18,750)	(7,432)	242,413
Changes during the three months ended June 30, 2006				
Issuance of new stock				280
Dividends from retained earnings*				(2,070)
Bonuses to directors and corporate auditors*				(424)
Merger/separation of consolidated subsidiaries				(606)
Net income				7,569
Acquisition of treasury stock				(9)
Reverse of land revaluation differences				(274)
Change in items other than shareholders' equity during the three months ended June 30, 2007 (net)	(445)	470	25	25
Total changes during the three months ended June 30, 2006	(445)	470	25	4,491
Balance at June 30, 2006	10,872	(18,279)	(7,407)	246,904

* Item for appropriation of retained earnings at the June 2006 general meeting of shareholders.

Three months ended June 30, 2007

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

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	21,743	132,878	129,760	(18,297)	266,084
Changes during the three months ended June 30, 2007					
Issuance of new stock	30	30			60
Dividends from retained earnings			(1,735)		(1,735)
Net income			6,247		6,247
Acquisition of treasury stock				(5)	(5)
Reverse of land revaluation differences			4		4
Net first quarter change in items other than shareholders' equity during the three months ended June 30, 2007 (net)					
Total changes during the three months ended June 30, 2007	30	30	4,516	(5)	4,571
Balance at June 30, 2007	21,773	132,909	134,277	(18,303)	270,656

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

	Valuation, translation and other adjustments			Total net assets
	Unrealized gains on securities, net of taxes	Land revaluation difference, net of taxes	Total valuation, translation and other adjustments	
Balance at March 31, 2007	13,099	(18,071)	(4,972)	261,111
Changes during the three months ended June 30, 2007				
Issuance of new stock				60
Dividends from retained earnings				(1,735)
Net income				6,247
Acquisition of treasury stock				(5)
Reverse of land revaluation surplus				4
Change in items other than shareholders' equity during the three months ended June 30, 2007 (net)	(110)	(4)	(115)	(115)
Total changes during the three months ended June 30, 2007	(110)	(4)	(115)	4,456
Balance at June 30, 2007	12,988	(18,076)	(5,088)	265,568

Year ended March 31, 2007

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

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	21,479	131,328	115,948	(18,909)	249,846
Changes during the year					
Issuance of new stock	263	263			526
Dividends from retained earnings*			(2,070)		(2,070)
Dividends from retained earnings			(1,728)		(1,728)
Bonuses to directors and corporate auditors*			(434)		(434)
Merger/separation of consolidated subsidiaries			(606)		(606)
Net income			19,105		19,105
Acquisition of treasury stock				(138)	(138)
Disposal of treasury stock		1,287		750	2,037
Reverse of land revaluation differences			(454)		(454)
Change in items other than shareholders' equity during the year (net)					
Total changes during the year	263	1,550	13,812	611	16,238
Balance at March 31, 2007	21,743	132,878	129,760	(18,297)	266,084

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

	Valuation, translation and other adjustments			Total net assets
	Unrealized gains on securities, net of taxes	Land revaluation difference, net of taxes	Total valuation, translation and other adjustments	
Balance at March 31, 2006	11,317	(18,750)	(7,432)	242,413
Changes during the year				
Issuance of new stock				526
Dividends from retained earnings*				(2,070)
Dividends from retained earnings				(1,728)
Bonuses to directors and corporate auditors*				(434)
Merger/separation of consolidated subsidiaries				(606)
Net income				19,105
Acquisition of treasury stock				(138)
Disposal of treasury stock				2,037
Reverse of land revaluation differences				(454)
Change in items other than shareholders' equity during the year (net)	1,781	678	2,460	2,460
Total changes during the year	1,781	678	2,460	18,698
Balance at March 31, 2007	13,099	(18,071)	(4,972)	261,111

* Item for appropriation of retained earnings at the June 2006 ordinary general meeting of shareholders.

4. Quarterly Consolidated Statements of Cash Flows (Summary)

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

	Three months ended June 30, 2006	Three months ended June 30, 2007	Year ended March 31, 2007
Cash flows from operating activities			
Income before income taxes and minority interests	12,178	10,260	34,339
Depreciation and amortization	2,377	2,425	9,663
Loss on impairment of fixed assets	223	46	2,767
Amortization of goodwill (negative goodwill)	(1,258)	(1,095)	(3,451)
Increase (decrease) in employees' severance and retirement benefits – net	124	(2,139)	(3,721)
Decrease in allowance for directors' and corporate auditors' retirement benefits	(492)	—	(492)
Decrease in allowance for employees' bonuses	(1,966)	(1,794)	(197)
Decrease in allowance for doubtful accounts	(325)	(702)	(3,260)
Decrease in allowance for sales returns	—	—	(83)
Additional retirement benefits	—	—	5,750
Decrease (increase) in notes and accounts receivable – trade	(9,855)	(22,105)	2,069
Increase in inventories	(10,971)	(3,998)	(8,770)
Increase in notes and accounts payable– trade	8,636	8,921	8,974
Others	(3,958)	(994)	(5,987)
Subtotal	(5,288)	(11,177)	37,599
Additional payment for retirement benefits	—	(566)	(5,183)
Income taxes paid	(7,566)	(4,009)	(13,430)
Others	454	383	851
Net cash (used in) provided by operating activities	(12,400)	(15,370)	19,836
Cash flows from investing activities			
Payments for purchase of property and equipment	(3,376)	(2,136)	(12,235)
Proceeds from sale of property and equipment	374	333	3,194
Payments for purchase of investment securities	(657)	(217)	(4,150)
Payments for acquisition of investment in affiliates subsidiary stock	—	—	(3,975)
Other, net	(165)	(172)	(2,970)
Net cash used in investing activities	(3,824)	(2,193)	(20,137)
Cash flows from financing activities			
Increase (decrease) in short-term bank loans – net	(1,079)	(698)	3,615
Proceeds from long-term debt	5,000	—	5,000
Repayment of long-term debt	(1,722)	(1,285)	(6,369)
Repayment of convertible bonds	(0)	(0)	(0)
Purchase of treasury stock	(9)	(5)	(138)
Cash dividends paid to shareholders	(2,070)	(1,735)	(3,798)
Net cash provided by (used in) financing activities	119	(3,724)	(1,690)
Net decrease in cash and cash equivalents	(16,105)	(21,288)	(1,991)
Cash and cash equivalents at beginning of period	142,908	142,439	142,908
Decrease in cash and cash equivalents due to change in scope of consolidation	1,522	108	1,522
Cash and cash equivalents at end of period	128,325	121,259	142,439

5. Segment Information

(1) Business Segment Information

First Three Months of the Fiscal Year Ended March 31, 2007 (April 1, 2006 – June 30, 2006)

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

	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Related Business	Total	Eliminations and Corporate	Consolidated
Net sales:						
(1) Sales to outside customers	411,844	126,877	1,377	540,099	—	540,099
(2) Inter-segment sales and transfer	17	11	0	29	(29)	—
Total	411,862	126,888	1,378	540,129	(29)	540,099
Operating expenses	403,468	126,626	1,366	531,461	(647)	530,813
Operating income	8,394	262	11	8,668	618	9,286

First Three Months of the Fiscal Year Ending March 31, 2008 (April 1, 2007 – June 30, 2007)

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

	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Related Business	Total	Eliminations and Corporate	Consolidated
Net sales:						
(1) Sales to outside customers	422,537	133,793	1,526	557,857	—	557,857
(2) Inter-segment sales and transfer	297	153	0	451	(451)	—
Total	422,835	133,947	1,526	558,309	(451)	557,857
Operating expenses	417,560	132,749	1,511	551,822	(491)	551,330
Operating income	5,274	1,197	15	6,487	40	6,527

Fiscal Year Ended March 31, 2007 (April 1, 2006 – March 31, 2007)

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

	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Related Business	Total	Eliminations and Corporate	Consolidated
Net sales:						
(1) Sales to outside customers	1,646,047	514,753	5,962	2,166,762	—	2,166,762
(2) Inter-segment sales and transfer	1,103	350	2	1,455	(1,455)	—
Total	1,647,151	515,103	5,964	2,168,218	(1,455)	2,166,762
Operating expenses	1,623,870	511,163	5,900	2,140,934	(1,948)	2,138,986
Operating income	23,280	3,939	63	27,283	492	27,776

Notes: 1. Method of business classification

Businesses are classified with regard to similarities in product type and grouping, and markets.

2. 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, soaps, detergents over-the-counter pharmaceuticals, etc.
Related Business	Sales of industrial chemicals, food additives, etc.

(2) Geographic Segment Information

Current first quarter (April 1, 2007 – June 30, 2007), previous first quarter (April 1, 2006 – June 30, 2006) and previous fiscal year (April 1, 2006 – March 31, 2007)

Geographic segment information is not disclosed because the Company has no consolidated subsidiaries or significant branch offices outside Japan.

(3) Overseas Sales

Current first quarter (April 1, 2007 – June 30, 2007), previous first quarter (April 1, 2006 – June 30, 2006) and previous fiscal year (April 1, 2006 – March 31, 2007)

Overseas sales information is omitted because overseas sales account for less than 10 percent of total consolidated net sales.

Summary of Quarterly Unconsolidated Financial Statements

1. Quarterly Unconsolidated Balance Sheets (Summary)

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

	As of		As of		Increase		As of	
	March 31, 2007		June 30, 2007		(Decrease)		June 30, 2006	
ASSETS	855,512	100.0%	859,986	100.0%	4,474	0.5%	847,804	100.0%
Current assets	614,246	71.8	619,985	72.1	5,738	0.9	611,581	72.1
Cash	34,571		24,939		(9,631)		33,806	
Trade notes receivable	129		112		(17)		78	
Trade accounts receivable	504,101		510,243		6,142		497,965	
Inventories	52,493		57,323		4,830		55,194	
Accounts receivable	22,135		23,279		1,143		22,916	
Other current assets	814		4,086		3,271		1,620	
Fixed assets	241,266	28.2	240,001	27.9	(1,264)	(0.5)	236,223	27.9
Tangible fixed assets	43,949	5.1	43,350	5.1	(598)	(1.4)	45,782	5.4
Buildings	21,028		20,755		(272)		22,202	
Land	16,706		16,706		—		16,894	
Other tangible fixed assets	6,214		5,888		(326)		6,686	
Intangible fixed assets	3,962	0.5	3,665	0.4	(296)	(7.5)	4,304	0.5
Investments and other assets	193,354	22.6	192,985	22.4	(369)	(0.2)	186,136	22.0
Equity in subsidiaries and affiliates	170,494		170,494		—		166,477	
Other	22,979		22,500		(479)		19,751	
Allowance for doubtful accounts	(119)		(9)		110		(93)	
Total assets	855,512	100.0	859,986	100.0	4,474	0.5	847,804	100.0

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

	As of		As of		Increase		As of	
	March 31, 2007		June 30, 2007		(Decrease)		June 30, 2006	
LIABILITIES	598,716	70.0	601,149	69.9	2,432	0.4	595,910	70.3
Current liabilities	590,572	69.0	593,360	69.0	2,788	0.5	589,471	69.5
Trade notes payable	7,967		7,839		(127)		10,771	
Trade accounts payable	545,242		553,437		8,194		552,278	
Deposits from affiliates	15,000		15,000		—		10,000	
Provision for employees' bonuses	677		473		(203)		350	
Other current liabilities	21,684		16,609		(5,075)		16,071	
Long-term liabilities	8,144	1.0	7,788	0.9	(355)	(4.4)	6,438	0.8
Convertible bonds	1,340		1,279		(61)		1,586	
Other long-term liabilities	6,804		6,509		(294)		4,852	
NET ASSETS	256,796	30.0	258,837	30.1	2,041	0.8	251,894	29.7
Shareholders' equity	266,374	31.1	268,449	31.2	2,074	0.8	262,755	31.0
Common stock	21,743	2.5	21,773	2.5	30	0.1	21,620	2.5
Capital surplus	166,016	19.4	166,046	19.3	30	0.0	165,206	19.5
Retained earnings	96,913	11.3	98,932	11.5	2,019	2.1	95,448	11.3
Treasury stock	(18,297)	(2.1)	(18,303)	(2.1)	(5)	—	(19,519)	(2.3)
Valuation and translation adjustments	(9,578)	(1.1)	(9,611)	(1.1)	(33)	—	(10,861)	(1.3)
Unrealized gains on securities, net of taxes	7,521	0.9	7,487	0.9	(33)	(0.4)	6,582	0.8
Land revaluation differences, net of taxes	(17,099)	(2.0)	(17,099)	(2.0)	—	—	(17,443)	(2.1)
Total liabilities and total net assets	855,512	100.0	859,986	100.0	4,474	0.5	847,804	100.0

2. Quarterly Unconsolidated Statements of Income (Summary)

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

	Three months ended June 30, 2006		Three months ended June 30, 2007		Increase (Decrease)		Year ended March 31, 2007	
Net sales	373,088	100.0%	384,799	100.0%	11,710	3.1%	1,503,798	100.0%
Cost of sales	365,520	98.0	376,734	97.9	11,213	3.1	1,473,399	98.0
Gross profit	7,568	2.0	8,065	2.1	496	6.6	30,398	2.0
Selling, general and administrative expenses	6,811	1.8	7,294	1.9	482	7.1	27,979	1.8
Operating income	757	0.2	771	0.2	13	1.8	2,418	0.2
Non-operating income:	4,343	1.1	4,064	1.1	(278)	(6.4)	10,185	0.7
Interest and dividend income	2,979		2,560		(419)		4,244	
Research fee income	1,025		1,119		93		4,255	
Other non-operating income	338		385		46		1,685	
Non-operating expenses:	164	0.0	185	0.1	21	12.8	912	0.1
Interest expenses	7		28		21		46	
Other non-operating expenses	157		156		(0)		866	
Ordinary income	4,936	1.3	4,650	1.2	(285)	(5.8)	11,691	0.8
Extraordinary gains:	19	0.0	2	0.0	(17)	(86.9)	32	0.0
Gain on sale of fixed assets	19		0		(19)		20	
Other extraordinary gains	—		2		2		12	
Extraordinary losses:	166	0.0	3	0.0	(162)	(97.7)	643	0.1
Loss on sale and disposal of fixed assets	3		3		0		150	
Loss on impairment of fixed assets	162		—		(162)		475	
Other extraordinary losses	—		—		—		17	
Income before income taxes and minority interests	4,790	1.3	4,649	1.2	(141)	(2.9)	11,080	0.7
Income taxes	777	0.2	894	0.2	117	15.1	3,679	0.2
Net income	4,013	1.1	3,755	1.0	(258)	(6.4)	7,401	0.5

3. Quarterly Unconsolidated Statements of Changes in Net Assets (Summary)

Three months ended June 30, 2006

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

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	21,479	165,065	93,929	(19,510)	260,964
Changes during the three months ended June 30, 2006					
Issuance of new stock	140	140			280
Dividends from retained earnings*			(2,070)		(2,070)
Bonuses to directors and corporate auditors*			(137)		(137)
Net income			4,013		4,013
Acquisition of treasury stock				(9)	(9)
Reverse of land revaluation differences			(286)		(286)
Change in items other than shareholders' equity during the three months ended June 30, 2006 (net)					
Total changes during the three months ended June 30, 2006	140	140	1,519	(9)	1,791
Balance at June 30, 2006	21,620	165,206	95,448	(19,519)	262,755

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

	Valuation, translation and other adjustments			Total net assets
	Unrealized gains on securities, net of taxes	Land revaluation differences, net of taxes	Total valuation, translation and other adjustments	
Balance at March 31, 2006	6,647	(17,927)	(11,280)	249,684
Changes during the three months ended June 30, 2006				
Issuance of new stock				280
Dividends from retained earnings*				(2,070)
Bonuses to directors and corporate auditors*				(137)
Net income				4,013
Acquisition of treasury stock				(9)
Reverse of land revaluation differences				(286)
Change in items other than shareholders' equity during the three months ended June 30, 2006 (net)	(64)	483	419	419
Total changes during the three months ended June 30, 2006	(64)	483	419	2,210
Balance at June 30, 2006	6,582	(17,443)	(10,861)	251,894

* Item for appropriation of retained earnings at the June 2006 general meeting of shareholders.

Three months ended June 30, 2007

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

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	21,743	166,016	96,913	(18,297)	266,374
Changes during the three months ended June 30, 2007					
Issuance of new stock	30	30			60
Dividends from retained earnings			(1,735)		(1,735)
Net income			3,755		3,755
Acquisition of treasury stock				(5)	(5)
Change in items other than shareholders' equity during the three months ended June 30, 2007 (net)					
Total changes during the three months ended June 30, 2007	30	30	2,019	(5)	2,074
Balance at June 30, 2007	21,773	166,046	98,932	(18,303)	268,449

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

	Valuation, translation and other adjustments			Total net assets
	Unrealized gains on securities, net of taxes	Land revaluation difference, net of taxes	Total valuation, translation and other adjustments	
Balance at March 31, 2007	7,521	(17,099)	(9,578)	256,796
Changes during the three months ended June 30, 2007				
Issuance of new stock				60
Dividends from retained earnings				(1,735)
Net income				3,755
Acquisition of treasury stock				(5)
Change in items other than shareholders' equity during the three months ended June 30, 2007 (net)	(33)		(33)	(33)
Total changes during the three months ended June 30, 2007	(33)	—	(33)	2,041
Balance at June 30, 2007	7,487	(17,099)	(9,611)	258,837

Year ended March 31, 2007

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

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	21,479	165,065	93,929	(19,510)	260,964
Changes during the year					
Issuance of new stock	263	263			526
Dividends from retained earnings*			(2,070)		(2,070)
Dividends from retained earnings			(1,728)		(1,728)
Bonuses to directors and corporate auditors*			(137)		(137)
Net income			7,401		7,401
Acquisition of treasury stock				(138)	(138)
Disposal of treasury stock		686		1,350	2,037
Reverse of land revaluation differences			(481)		(481)
Change in items other than shareholders' equity during the year (net)					
Total changes during the year	263	950	2,983	1,212	5,410
Balance at March 31, 2007	21,743	166,016	96,913	(18,297)	266,374

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

	Valuation, translation and other adjustments			Total net assets
	Unrealized gains on securities, net of taxes	Land revaluation difference net of taxes	Total translation and other adjustments	
Balance at March 31, 2006	6,647	(17,927)	(11,280)	249,684
Changes during the year				
Issuance of new stock				526
Dividends from retained earnings*				(2,070)
Dividends from retained earnings				(1,728)
Bonuses to directors and corporate auditors*				(137)
Net income				7,401
Acquisition of treasury stock				(138)
Disposal of treasury stock				2,037
Reverse of land revaluation differences				(481)
Change in items other than shareholders' equity during the year (net)	874	827	1,701	1,701
Total changes during the year	874	827	1,701	7,112
Balance at March 31, 2007	7,521	(17,099)	(9,578)	256,796

* Item for appropriation of retained earnings at the June 2006 general meeting of shareholders.