

# Summary of Consolidated Financial Statements for the Interim Period of the Fiscal Year Ending March 31, 2009

October 31, 2008

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

Representative: Sadatake Kumakura, President and CEO

Contact: Kunie Yamazaki, Manager of Corporate  
Communication Office

Filing of Securities Report (*Shihanki Hokokusho*) (scheduled): November 14, 2008

Start of distribution of dividends (scheduled): December 3, 2008

Stock exchange listing: Tokyo, First Section

<http://www.mediceo-paltac.co.jp>

Phone: +81-3-3517-5171

(All amounts are rounded down to the nearest million yen.)

## 1. Consolidated Results for the Interim Period of the Fiscal Year Ending March 31, 2009 (April 1, 2008 to September 30, 2008)

### (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 (%)
Six months ended September 30, 2008	1,232,172	—	10,695	—	18,516	—
Six months ended September 30, 2007	1,110,252	3.4	11,704	(18.3)	19,202	(11.4)

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Six months ended September 30, 2008	10,508	—	44.00	43.86
Six months ended September 30, 2007	11,711	35.7	50.60	50.31

### (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
As of September 30, 2008	1,128,396	300,830	26.7	1,255.68
As of March 31, 2008	1,104,833	290,692	26.3	1,219.50

(Reference) Net worth: As of September 30, 2008: ¥300,822 million; As of March 31, 2008: ¥290,668 million

## 2. Cash Dividends

	Dividends per share (¥)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Full year
Year ended March 31, 2008	—	7.50	—	10.50	18.00
Year ending March 31, 2009	—	11.00	—	—	—
Year ending March 31, 2009 (est.)	—	—	—	11.00	22.00

Note: Revisions to projected dividends during the quarter: No

## 3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2009 (April 1, 2008 - March 31, 2009)

(Percentages represent change compared to the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Full year	2,490,000	10.4	23,400	(16.3)	38,100	(10.6)	22,200	(20.1)	92.81

Note: Revisions to projected consolidated results during the quarter: Yes

#### 4. Others

- (1) Changes in the state of material subsidiaries during the period (changes in specified subsidiaries attendant with change in scope of consolidation): Yes  
New: — Eliminated: 1 company (Company name: KOBASHOU.CO., LTD.)  
(For details, see “4. Other” of “Qualitative Information and Financial Statements, etc.” on pages 5-6.)
- (2) Use of simplified accounting methods or special accounting methods for preparation of quarterly financial statements: Yes  
(For details, see “4. Other” of “Qualitative Information and Financial Statements, etc.” on pages 5-6.)
- (3) Changes in principles, procedures, and methods of presentation, etc., related to the preparation of quarterly consolidated financial statements (changes in material items that form the basis for the preparation and presentation of the preparation of quarterly consolidated financial statements)
  - (a) Changes related to revisions in accounting principles: Yes
  - (b) Other changes aside from those in (a) above: Yes  
(For details, see “4. Other” of “Qualitative Information and Financial Statements, etc.” on pages 5-6.)
- (4) Number of shares issued (common stock)
  - (a) Number of shares at the end of the period (including treasury stock)  
Six months ended September 30, 2008: 244,524,496 Year ended March 31, 2008: 243,246,169
  - (b) Number of treasury shares at the end of the period:  
Six months ended September 30, 2008: 4,955,896 Year ended March 31, 2008: 4,896,330
  - (c) Average number of shares outstanding (cumulative with earlier quarters):  
Six months ended September 30, 2008: 238,810,177; Six months ended September 30, 2007: 231,450,513

#### Cautionary Remarks Regarding Proper Use of Projected Results and Other Items

1. The projected consolidated results for the fiscal year ending March 31, 2009 have been revised from the figures announced on May 14, 2008. For details, see “Notice of Revisions to Consolidated Second Quarter and Fiscal Year Results Forecasts,” released separately on October 27, 2008.
2. Effective from the fiscal year ending March 31, 2009, the Company applies the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and its Implementation Guidance, “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). Quarterly consolidated financial statements have been prepared in accordance with the “Regulation for Quarterly Consolidated Financial Reporting.”

## **Qualitative Information and Financial Statements, etc.**

### **1. Qualitative Information on Consolidated Business Results**

#### **(1) Business Results**

In the Japanese economy during the interim period of fiscal 2009, or the six months ended September 30, 2008, the economic slowdown strengthened amid generally flat consumer spending and weak capital investment. In addition, there were concerns about the further impact of the financial crisis that originated in the United States.

In these economic conditions, the Mediceo Paltac Group (Mediceo Paltac Holdings Co., Ltd. and its consolidated subsidiaries) carried out business innovations aimed at establishing a new, customer-oriented business model that is highly responsive to changes in the market environment and customer needs.

For the interim period, consolidated net sales were ¥1,232,172 million (an 11.0 percent increase compared with the same period of the previous year), operating income was ¥10,695 million (an 8.6 percent decrease), ordinary income was ¥18,516 million (a 3.6 percent decrease) and net income was ¥10,508 million (a 10.3 percent decrease).

Mediceo Paltac and Alfresa Holdings Corporation have reached a basic agreement to merge on an equal footing, effective April 1, 2009 (planned). The two companies also signed a basic agreement on the merger on October 10, 2008.

A summary of results by principal business segments follows below.

#### **Prescription Pharmaceutical Wholesale Business**

Sales of prescription pharmaceuticals were affected by the decline in market prices due to the 5.2 percent average reduction in National Health Insurance (NHI) drug prices on April 1, 2008. Another factor presumed to have impacted sales is that patients refrained from checkups due to concerns about increased insurance costs associated with the implementation of a new medical insurance system for those over 75 years of age and rising commodity prices. In these conditions, all companies in the Mediceo Paltac Group focused on measures to strengthen sales centered on new products and lifestyle disease medications, and vigorously conducted proposal-based sales activities from the perspective of helping customers manage their operations. However, selling price negotiations with customers were generally difficult, and selling prices declined more than anticipated.

As a result, sales of the Prescription Pharmaceutical Wholesale Business were ¥861,777 million (a 3.2 percent increase compared with the same period of the previous year) and operating income was ¥6,420 million (a 21.2 percent decrease).

#### **Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business**

The market environment for cosmetics, daily necessities and over-the-counter pharmaceuticals became challenging due to cooling consumer sentiment. In these conditions, on April 1, 2008, PALTAC KS CORPORATION (name changed from PALTAC CORPORATION on April 1, 2008) merged with KOBASHOU.CO., LTD., a wholly owned subsidiary of Mediceo Paltac, and quickly began integrating distribution and systems, completing integration in the Kinki region in July 2008 and in the Tokai region in August. In addition, PALTAC KS acquired all of the stock of EIKO CO., LTD. (Wakayama, Wakayama Prefecture), making it a wholly owned subsidiary. Meanwhile, PALTAC KS integrated the cosmetics and daily necessities business with the OTC pharmaceuticals business, and focused on creating a stronger corporate structure that can contribute to raising productivity throughout the supply chain from manufacturing to consumption.

As a result, sales of the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business were ¥368,108 million (a 35.0 percent increase compared with the same period of the previous year) and operating income was ¥4,204 million (a 21.3 percent increase).

### **Related Business**

In sales of food additives, sales of beverage-related products were strong, reflecting hot summer weather. On the other hand, sales of industrial chemicals were sluggish due to inventory adjustments and restrained capital investment in the semiconductor and IT industries.

As a result, sales of the Related Business segment were ¥3,046 million (a 2.5 percent decrease compared with the same period of the previous year) and operating income was ¥33 million (a 13.6 percent decrease).

*Note: Business segment sales include intersegment sales. Percentage comparisons with the same period of the previous year are provided for reference.*

## **2. Qualitative Information on Consolidated Financial Position**

### **(1) Assets, Liabilities and Net Assets**

Total assets as of September 30, 2008 were ¥1,128,396 million, an increase of ¥23,562 million from the end of the previous fiscal year. This was mainly due to increases of ¥7,128 million in notes and accounts receivable, trade and ¥7,831 million in merchandise.

Liabilities totaled ¥827,565 million, an increase of ¥13,424 million from the end of the previous fiscal year. This was mainly due to an increase of ¥18,512 million in notes and accounts payable, trade.

Net assets were ¥300,830 million, an increase of ¥10,138 million from the end of the previous fiscal year. This was mainly due to a ¥7,995 million increase in retained earnings.

### **(2) Cash Flows**

On a consolidated basis for the interim period, net cash provided by operating activities was ¥12,673 million, net cash used in investing activities was ¥12,206 million, and net cash used in financing activities was ¥7,243 million. As a result, cash at the end of the period decreased ¥6,776 million (4.6 percent) from the end of the previous fiscal year to ¥139,569 million.

#### **Cash Flows from Operating Activities**

The increase in cash from operating activities was ¥12,673 million (a decrease of ¥1,439 million was recorded in the same period of the previous year). Main factors were income before income taxes and minority interests totaling ¥17,363 million and an increase in notes and accounts payable, trade of ¥17,691 million. On the other hand, there were increases of ¥5,840 million in notes and accounts receivable, trade and ¥7,364 million in inventories, in addition to ¥9,185 million in cash paid for income taxes.

#### **Cash Flows from Investing Activities**

The decrease in cash from investing activities was ¥12,206 million (a decrease of ¥9,582 million was recorded in the same period of the previous year). The main factor was ¥7,364 million in payments for purchases of property and equipment including new RDC Hokkaido (tentative name) and ¥4,324 million in payments for purchase of investment securities.

#### **Cash Flows from Financing Activities**

The decrease in cash from financing activities was ¥7,243 million (a decrease of ¥465 million was recorded in the same period of the previous year). Main factors were a net decrease in short-term bank loans and long-term debt totaling ¥3,114 million and cash dividends paid to shareholders totaling ¥2,502 million.

*Note: Amounts for the same period of the previous year are provided for reference.*

### 3. Qualitative Information on Projected Consolidated Results

In the Prescription Pharmaceutical Wholesale Business, patients are refraining from checkups due to factors including a growing sense that the economy is slowing, and selling prices have declined. As a result, because of concern that its operating environment will continue to be severe, Mediceo Paltac revised its consolidated performance forecast for the fiscal year on October 27, 2008, replacing the forecast announced on May 14, 2008.

### 4. Other

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation)

On April 1, 2008, PALTAC CORPORATION, a consolidated subsidiary of Mediceo Paltac, absorbed KOBASHOU.CO., LTD. (“Kobashou”), a specified subsidiary of Mediceo Paltac, by merger. Because Kobashou was the dissolving company in this merger, it is no longer deemed a specified subsidiary. Prior to the merger, and on the same date, Kobashou merged its subsidiaries KS-HOKKAIDO CO., LTD., KS-TOUHOKU CO., LTD., KS-TOUKAI CO., LTD. and SEIEI CO., LTD., with Kobashou as the surviving company.

On the same date, PALTAC CORPORATION changed its company name to PALTAC KS CORPORATION.

- (2) Use of Simplified Accounting Methods and Accounting Methods Specific to Preparation of the Quarterly Consolidated Financial Statements

- (a) Use of simplified accounting methods

*Calculation of estimated loss on ordinary receivables:*

For the loss ratio at the end of the interim period on September 30, 2008, the Company calculates the estimated loss using the loss ratio at the end of the previous fiscal year, as no significant changes have been recognized in the amount calculated at the end of the previous fiscal year.

*Calculation of income taxes, deferred tax assets and deferred tax liabilities:*

Calculation of the amount of income tax payments omits items that increase or reduce tax and items that are tax credits if the amounts are insignificant.

The future projections of operating results and tax planning used in the previous fiscal year are used in judging the recoverability of deferred tax assets, as the Company has recognized no significant changes in the operating environment or in the occurrence of temporary differences since the end of the previous fiscal year.

- (b) Accounting methods specific to preparation of the quarterly consolidated financial statements:  
None applicable

- (3) Changes in accounting principles, procedures and presentation methods pertaining to preparation of the quarterly consolidated financial statements

- (a) Application of accounting standards for quarterly financial reporting

Effective from the fiscal year ending March 31, 2009, the Company applies the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and its Implementation Guidance, “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). Quarterly consolidated financial statements have been prepared in accordance with the “Regulation for Quarterly Consolidated Financial Reporting.”

(b) Application of Accounting Standards for Lease Transactions

Prior to April 1, 2008, finance lease transactions which do not transfer ownership of the leased assets were accounted for in the same manner as operating leases. The “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13 issued on June 17, 1993 and revised on March 31, 2007) and “Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16 issued on January 18, 1994 and revised on March 30, 2007) are permitted to be adopted starting from the quarterly consolidated financial statements for fiscal years beginning on or after April 1, 2008. Accordingly, the Company has adopted the revised accounting standard and guidance starting from the first quarter of the fiscal year ending March 31, 2009, and all finance lease transactions are capitalized. In addition, leased assets related to finance leases that do not transfer ownership are depreciated on a straight-line basis with the lease period as the useful life and no residual value.

The effect of this change on the consolidated statements of income is not material.

*Additional information:*

Under the revised Corporation Tax Law, the Company has extended the useful lives primarily of machinery and equipment in fixed assets starting from the first quarter of the fiscal year ending March 31, 2009.

The effect of this change on the consolidated statements of income is not material.

## 5. Summary of Interim Consolidated Financial Statements

### (1) Interim Consolidated Balance Sheets

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

	As of September 30, 2008	As of March 31, 2008
<b>ASSETS</b>		
Current assets		
Cash and time deposits	144,794	151,570
Notes and accounts receivable, trade	554,804	547,676
Merchandise	112,542	104,710
Other current assets	63,762	60,909
Allowance for doubtful accounts	(1,694)	(2,442)
Total current assets	874,209	862,425
Fixed assets		
Property and equipment		
Buildings and structures (net)	62,965	63,594
Land	80,109	79,969
Other tangible fixed assets (net)	25,900	15,739
Total property and equipment	168,975	159,303
Intangible assets		
Goodwill	7,455	9,064
Other intangible assets	5,914	4,825
Total intangible assets	13,369	13,889
Investments and other non-current assets		
Other assets	74,055	71,610
Allowance for doubtful accounts	(2,213)	(2,395)
Total investments and other non-current assets	71,841	69,214
Total fixed assets	254,187	242,408
Total assets	1,128,396	1,104,833

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

	As of September 30, 2008	As of March 31, 2008
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable, trade	707,242	688,730
Short-term bank loans	28,155	29,688
Long-term debt due within one year	3,120	3,693
Income taxes payable	9,193	8,407
Provision for employees' bonuses	8,722	8,686
Allowance for losses on sales returns	749	964
Other current liabilities	22,696	28,863
Total current liabilities	779,881	769,034
Long-term liabilities		
Long-term debt	5,628	5,251
Employees' severance and retirement benefits	16,747	16,487
Negative goodwill	3,479	6,977
Other long-term liabilities	21,829	16,390
Total long-term liabilities	47,684	45,107
Total liabilities	827,565	814,141
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	22,398	21,813
Capital surplus	134,625	134,039
Retained earnings	161,528	153,533
Treasury stock, at cost	(7,773)	(7,665)
Total shareholders' equity	310,777	301,720
Valuation and translation adjustments		
Unrealized gains on securities, net of taxes	7,817	6,772
Land revaluation differences, net of taxes	(17,773)	(17,824)
Total valuation and translation adjustments	(9,955)	(11,051)
Minority interests	8	23
Total net assets	300,830	290,692
Total liabilities and net assets	1,128,396	1,104,833

**(2) Interim Consolidated Statements of Income (Summary)**

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

	Six months ended September 30, 2008
Net sales	1,232,172
Cost of sales	1,132,769
Gross profit	99,403
Reversal of allowance for losses on sales returns	964
Provision for losses on sales returns	749
Net gross profit	99,618
Selling, general and administrative expenses:	
Wages and salaries	32,820
Welfare expenses	4,788
Provision for bonuses	8,692
Employees' severance and retirement benefit expenses	3,564
Shipping and delivery expenses	8,034
Rental expenses	2,874
Depreciation and amortization	5,446
Provision for doubtful accounts	167
Amortization of goodwill	1,610
Other	20,923
Total selling, general and administrative expenses	88,922
Operating income	10,695
Non-operating income:	
Interest income	179
Dividend income	673
Research fee income	2,741
Real estate rental income	843
Amortization of negative goodwill	3,662
Other non-operating income	853
Total non-operating income	8,953
Non-operating expenses:	
Interest expenses	412
Real estate rental expenses	520
Other non-operating expenses	199
Total non-operating expenses	1,133
Ordinary income	18,516
Extraordinary gains:	
Gain on sale of fixed assets	8
Reversal of allowance for doubtful accounts	979
Other extraordinary gains	8
Total extraordinary gains	995
Extraordinary losses:	
Loss on sale and disposal of fixed assets	374
Loss on impairment of fixed assets	1,371
Other extraordinary losses	402
Total extraordinary losses	2,148
Income before income taxes and minority interests	17,363
Current income taxes	10,223
Deferred income taxes	(3,354)
Total income taxes	6,869
Minority interests in net income of consolidated subsidiaries	(14)
Net income	10,508

**(3) Interim Consolidated Statements of Cash Flows (Summary)**

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

	Six months ended September 30, 2008
Cash flows from operating activities	
Income before income taxes and minority interests	17,363
Depreciation and amortization	5,746
Loss on impairment of fixed assets	1,371
Amortization of goodwill	1,610
Amortization of negative goodwill	(3,662)
Increase (decrease) in employees' severance and retirement benefits	469
Increase (decrease) in allowance for employees' bonuses	22
Increase (decrease) in allowance for doubtful accounts	(940)
Decrease (increase) in notes and accounts receivable – trade	(5,840)
Decrease (increase) in inventories	(7,364)
Increase (decrease) in notes and accounts payable– trade	17,691
Others	(5,051)
Subtotal	21,415
Interest and dividends received	851
Interest expenses paid	(407)
Income taxes paid	(9,185)
Net cash provided by operating activities	12,673
Cash flows from investing activities	
Payments for purchase of property and equipment	(7,364)
Proceeds from sale of property and equipment	252
Payments for purchase of investment securities	(4,324)
Payment for acquisition of investment in subsidiaries	(98)
Payments for business transfer	(308)
Other, net	(362)
Net cash used in investing activities	(12,206)
Cash flows from financing activities	
Increase (decrease) in short-term bank loans – net	(2,382)
Repayment of leases	(1,269)
Proceeds from long-term debt	2,000
Repayment of long-term debt	(2,731)
Repayment of bonds	(220)
Repayment of convertible bonds	(29)
Purchase of treasury stock	(108)
Cash dividends paid to shareholders	(2,502)
Net cash used in financing activities	(7,243)
Net increase (decrease) in cash and cash equivalents	(6,776)
Cash and cash equivalents at beginning of period	146,345
Cash and cash equivalents at end of period	139,569

Effective from the fiscal year ending March 31, 2009, the Company applies the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and its Implementation Guidance, “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). Quarterly consolidated financial statements have been prepared in accordance with the “Regulation for Quarterly Consolidated Financial Reporting.”

**(4) Notes Regarding Assumptions of Going Concern**

None applicable

**(5) Segment Information**

a. Business Segment Information

Interim Period of the Fiscal Year Ending March 31, 2009 (April 1, 2008 – September 30, 2008)

(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	861,331	367,795	3,045	1,232,172	—	1,232,172
(2) Inter-segment sales and transfer	445	312	0	759	(759)	—
Total	861,777	368,108	3,046	1,232,932	(759)	1,232,172
Operating income	6,420	4,204	33	10,658	37	10,695

Notes: 1. Business Classification Method

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

2. Details of Business Classifications

Business Classifications	Details
Prescription Pharmaceutical Wholesale Business	Wholesale distribution of prescription pharmaceuticals, medical equipment and other products
Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Wholesale distribution of cosmetics, daily necessities, soaps, detergents, over-the-counter pharmaceuticals, and other products
Related Business	Sales of industrial chemicals, food additives and other products

b. Geographic Segment Information

Interim period (April 1, 2008 – September 30, 2008)

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

c. Overseas Sales

Interim period (April 1, 2008 – September 30, 2008)

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

**(6) Notes in the Event of Significant Changes in Shareholders' Equity**

None applicable

(Reference)

**Consolidated Financial Statements for the Interim Period of the Fiscal Year Ended March 31, 2008**

**(1) Interim Consolidated Statements of Income (Summary)**

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

	Interim period ended September 30, 2007	
I Net sales	1,110,252	100.0%
II Cost of sales	1,017,521	91.6
Gross profit	92,730	8.4
Reversal of allowance for losses on sales returns	909	
Provision for losses on sales returns	(787)	
Net gross profit	92,852	8.4
III Selling, general and administrative expenses		
1. Wages and salaries	30,072	
2. Welfare expenses	4,533	
3. Provision for bonuses	8,142	
4. Employees' severance and retirement benefit expenses	2,740	
5. Shipping and delivery expenses	6,681	
6. Rental expenses	2,636	
7. Depreciation and amortization	4,588	
8. Provision for doubtful accounts	6	
9. Amortization of goodwill	1,308	
10. Other	20,437	
Total selling, general and administrative expenses	81,148	7.3
Operating income	11,704	1.1
IV Non-operating income:		
1. Interest income	171	
2. Dividend income	678	
3. Research fee income	2,577	
4. Real estate rental income	812	
5. Negative goodwill	3,499	
6. Other non-operating income	669	
Total non-operating income	8,408	0.7
V Non-operating expenses:		
1. Interest expenses	257	
2. Real estate rental expenses	534	
3. Other non-operating expenses	118	
Total non-operating expenses	910	0.1
Ordinary income	19,202	1.7
VI Extraordinary gains:		
1. Gain on sale of fixed assets	128	
2. Gain on sale of investment securities	0	
3. Gain on disposal of golf memberships	2	
4. Reversal of allowance for doubtful accounts	234	
5. Gain on revision of retirement benefit system	138	
Total extraordinary gains	504	0.1
VII Extraordinary losses:		
1. Loss on sale and disposal of fixed assets	338	
2. Loss on impairment of fixed assets	75	
3. Loss on sale of investment securities	0	
4. Loss on valuation of investment securities	56	
5. Loss on sale of stock of affiliates	15	
6. Loss on disposal of golf memberships	0	
7. Loss on valuation of golf memberships	0	
8. Special retirement benefits	55	
9. Office consolidation expenses	36	
10. Loss on cancellation of shares due to absorption of a subsidiary	174	
Total extraordinary losses	752	0.1
Income before income taxes and minority interests	18,954	1.7
Current income taxes	6,575	
Deferred income taxes	666	
Total income taxes	7,242	0.6
Net income	11,711	1.1

## (2) Interim Consolidated Statements of Cash Flows (Summary)

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

	Interim period ended September 30, 2007
<b>I Cash flows from operating activities</b>	
Income before income taxes and minority interests (interim)	18,954
Depreciation and amortization	4,923
Loss on impairment of fixed assets	75
Amortization of goodwill (negative goodwill)	(2,191)
Decrease in employees' severance and retirement benefits – net	(2,598)
Increase (decrease) in reserve for employees' bonuses	366
Decrease in allowance for doubtful accounts	(1,033)
Decrease in allowance for returns	(121)
Interest and dividend income	(849)
Interest expenses	257
Gain on disposal of fixed assets	209
Loss on sale and devaluation of securities	56
Loss related to stock of affiliated companies	15
Gain (loss) on golf memberships	(2)
Additional retirement benefits for employees	55
(Increase) decrease in notes and accounts receivable – trade	(13,487)
Increase in inventories	(981)
Decrease (increase) in other current assets	196
Increase (decrease) in notes and accounts payable	(836)
Increase (decrease) in accrued consumption taxes	303
Decrease in other current liabilities	(1,081)
Subtotal	2,230
Interest and dividends received	847
Interest expenses paid	(262)
Additional payment for retirement benefits	(566)
Income taxes paid	(3,688)
<b>Net cash (used in) provided by operating activities</b>	<b>(1,439)</b>
<b>II Cash flows from investing activities</b>	
Payments for time deposits	(100)
Proceeds from time deposits	3,120
Payments for purchase of marketable securities	(3,000)
Payments for purchase of property and equipment	(9,458)
Proceeds from sale of property and equipment	616
Payment for purchase of investment securities	(274)
Proceeds from sale of investment securities	59
Payments for acquisition of investment in subsidiaries	(2)
Disbursement of loans	(39)
Collection of loans	110
Other, net	(614)
<b>Net cash used in investing activities</b>	<b>(9,582)</b>
<b>III Cash flows from financing activities</b>	
Increase (decrease) in short-term bank loans – net	(847)
Proceeds from long-term debt	5,000
Repayment of long-term debt	(2,871)
Repayment of convertible bonds	(0)
Purchase of treasury stock	(10)
Proceeds from sale of treasury stock	0
Cash dividends paid to shareholders	(1,735)
<b>Net cash used in financing activities</b>	<b>(465)</b>
<b>IV Net increase in cash and cash equivalents</b>	<b>(11,487)</b>
<b>V Cash and cash equivalents, beginning of period</b>	<b>142,439</b>
<b>VI Increase in cash and cash equivalents due to change in scope of consolidation</b>	<b>366</b>
<b>VII Cash and cash equivalents, end of period</b>	<b>131,318</b>

### (3) Segment Information

#### a. Business Segment Information

Interim Period of the Fiscal Year Ended March 31, 2008 (April 1, 2007 – September 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
I Net sales						
(1) Sales to outside customers	834,735	272,392	3,123	1,110,252	—	1,110,252
(2) Intersegment sales and transfers	491	349	0	842	(842)	—
Total	835,227	272,742	3,124	1,111,094	(842)	1,110,252
Operating expenses	827,076	269,275	3,086	1,099,438	(890)	1,098,547
Operating income	8,151	3,466	38	11,655	48	11,704

#### Notes. 1. Business Classification Method

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

#### 2. Details of Business Classifications

Business Classifications	Details
Prescription Pharmaceutical Wholesale Business	Wholesale distribution of prescription pharmaceuticals, medical equipment and other products
Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Wholesale distribution of cosmetics, daily necessities, soaps, detergents, over-the-counter pharmaceuticals, and other products
Related Business	Sales of industrial chemicals, food additives and other products

#### b. Geographic Segment Information

Interim period (April 1, 2007 – September 30, 2007)

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

#### c. Overseas Sales

Interim period (April 1, 2007 – September 30, 2007)

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