

Summary of Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2009

January 30, 2009

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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Stock exchange listing: Tokyo

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

1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2009 (April 1, 2008 to December 31, 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 (%)
Nine months ended December 31, 2008	1,885,409	—	14,031	—	25,842	—
Nine months ended December 31, 2007	1,726,541	4.1	21,676	(11.9)	32,869	(8.2)

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Nine months ended December 31, 2008	13,865	—	58.00	57.87
Nine months ended December 31, 2007	20,205	17.7	87.29	86.78

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
As of December 31, 2008	1,172,314	298,908	25.5	1,247.70
As of March 31, 2008	1,104,833	290,692	26.3	1,219.50

(Reference) Net worth: As of December 31, 2008: ¥298,899 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.)	—	—	—	7.00	18.00

Note: Revisions to projected dividends during the quarter: Yes

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	2,472,000	9.6	14,200	(49.2)	29,500	(30.8)	14,800	(46.8)	61.88

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)
Nine months ended December 31, 2008: 244,524,496; Year ended March 31, 2008: 243,246,169
 - (b) Number of treasury shares at the end of the period:
Nine months ended December 31, 2008: 4,962,920; Year ended March 31, 2008: 4,896,330
 - (c) Average number of shares outstanding (cumulative with earlier quarters):
Nine months ended December 31, 2008: 239,062,919; Nine months ended December 31, 2007: 231,470,801

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 October 27, 2008. For details, see “Notice of Revisions to Consolidated Results Forecast for the Fiscal Year Ending March 31, 2009,” released on January 30, 2009.
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

During the nine months ended December 31, 2008, the Japanese economy rapidly deteriorated with factors including weakening personal consumption weakened and contracting capital expenditures.

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 nine-month period, consolidated net sales were ¥1,885,409 million (a 9.2 percent increase compared with the same period of the previous year), operating income was ¥14,031 million (a 35.3 percent decrease), ordinary income was ¥25,842 million (a 21.4 percent decrease) and net income was ¥13,865 million (a 31.4 percent decrease).

Mediceo Paltac and Alfresa Holdings Corporation had reached a basic agreement to merge on an equal footing, effective April 1, 2009 (planned), and signed a basic agreement on the merger on October 10, 2008. However, the two companies decided to dissolve the basic agreement upon resolutions of their respective Boards of Directors on January 9, 2009 because the period for additional review by the Japan Fair Trade Commission would extend beyond the original planned merger date, making it difficult to realize the merger effects at an early date and posing a large profit risk.

A summary of results by principal business segments follows below.

Prescription Pharmaceutical Wholesale Business

In the prescription pharmaceuticals market, National Health Insurance (NHI) drug prices were reduced by an average of 5.2 percent on April 1, 2008. Moreover, patients continued to cut back on checkups due to the worsening economy and concerns about increased insurance costs associated with the implementation of a new medical insurance system for those over 75 years of age. 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 remained generally difficult amid the worsening operating environment for medical institutions, dispensing pharmacies and other customers, and selling prices declined more than anticipated.

As a result, sales of the Prescription Pharmaceutical Wholesale Business were ¥1,331,127 million (a 1.7 percent increase compared with the same period of the previous year) and operating income was ¥7,416 million (a 53.4 percent decrease).

Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

The market environment for cosmetics, daily necessities and over-the-counter pharmaceuticals was 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, and completed integration in the Kinki, Tokai and Shikoku regions. In addition, on October 1, 2008 PALTAC KS merged with its wholly owned subsidiary EIKO CO., LTD. (Wakayama, Wakayama Prefecture) with the aim of further optimizing and raising the efficiency of overall distribution. 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 efficiency and productivity throughout the supply chain from manufacturing to consumption.

As a result, sales of the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business were ¥551,242 million (a 33.0 percent increase compared with the same period of the previous year) and operating income was ¥6,537 million (a 15.7 percent increase).

Related Business

Sales of food additives were steady, with strong sales in beverage-related markets because of hot weather and steady demand for domestic products because of food safety issues. On the other hand, sales of industrial chemicals were sluggish due to inventory adjustments and restrained capital investment in the semiconductor and IT industries, in addition to the impact of reduced production among manufacturers with the rapid deterioration of the economy from fall 2008.

As a result, sales of the Related Business segment were ¥4,200 million (a 12.3 percent decrease compared with the same period of the previous year) and operating income was ¥39 million (a 39.1 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 December 31, 2008 were ¥1,172,314 million, an increase of ¥67,481 million from the end of the previous fiscal year. This was mainly due to increases of ¥51,266 million in notes and accounts receivable, trade and ¥32,298 million in merchandise.

Liabilities totaled ¥873,405 million, an increase of ¥59,264 million from the end of the previous fiscal year. This was mainly due to an increase of ¥73,860 million in notes and accounts payable, trade.

Net assets were ¥298,908 million, an increase of ¥8,216 million from the end of the previous fiscal year. This was mainly due to a ¥8,657 million increase in retained earnings.

(2) Cash Flows

On a consolidated basis for the nine months ended December 31, 2008, net cash used in operating activities was ¥3,156 million, net cash used in investing activities was ¥19,008 million, and net cash used in financing activities was ¥8,147 million. As a result, cash at the end of the period decreased ¥30,311 million (20.7 percent) from the end of the previous fiscal year to ¥116,033 million.

Cash Flows from Operating Activities

The decrease in cash from operating activities was ¥3,156 million (a decrease of ¥16,168 million was recorded in the same period of the previous year). Main factors were income before income taxes and minority interests totaling ¥23,301 million and an increase in notes and accounts payable, trade of ¥73,040 million. On the other hand, there were increases of ¥49,881 million in notes and accounts receivable, trade and ¥31,831 million in inventories, in addition to ¥15,804 million in cash paid for income taxes.

Cash Flows from Investing Activities

The decrease in cash from investing activities was ¥19,008 million (a decrease of ¥12,746 million was recorded in the same period of the previous year). The main factor was ¥14,074 million in payments for purchases of property and equipment including new RDC Hokkaido (tentative name) and ¥4,736 million in payments for purchase of investment securities.

Cash Flows from Financing Activities

The decrease in cash from financing activities was ¥8,147 million (a decrease of ¥4,636 million was recorded in the same period of the previous year). The main factor was cash dividends paid to shareholders totaling ¥5,137 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, the operating environment of medical institutions, dispensing pharmacies and other customers is worsening as patients cut back on checkups due to the economic slowdown and other factors. Amid these circumstances, conditions for selling price negotiations with customers remain generally difficult and selling prices have declined more than anticipated.

Looking forward, challenging conditions are expected to continue. The Mediceo Paltac Group has therefore revised its forecast for consolidated results for the fiscal year ending March 31, 2009. For details, see “Notice of Revisions to Consolidated Results Forecast for the Fiscal Year Ending March 31, 2009,” released on January 30, 2009.

As a result of the revision, the Mediceo Paltac Group has reduced its forecast for the year-end cash dividend per share from ¥11.00 as announced on May 14, 2008 to ¥7.00, and forecasts that cash dividends applicable to the fiscal year will total ¥18.00 per share.

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

Method of calculating inventories

Actual inventories as of December 31, 2008 were not calculated. Instead, they were computed based on actual inventories as of September 30, 2008.

Calculation of estimated loss on ordinary receivables:

For the loss ratio at the end of the third quarter on December 31, 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 no significant changes have been recognized 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. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

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

	As of December 31, 2008	As of March 31, 2008
ASSETS		
Current assets		
Cash and time deposits	121,258	151,570
Notes and accounts receivable, trade	598,942	547,676
Merchandise	137,009	104,710
Other current assets	65,479	60,909
Allowance for doubtful accounts	(1,658)	(2,442)
Total current assets	921,031	862,425
Fixed assets		
Property and equipment		
Buildings and structures (net)	62,148	63,594
Land	83,398	79,969
Other tangible fixed assets (net)	25,781	15,739
Total property and equipment	171,328	159,303
Intangible assets		
Goodwill	6,685	9,064
Other intangible assets	5,769	4,825
Total intangible assets	12,455	13,889
Investments and other non-current assets		
Other assets	69,648	71,610
Allowance for doubtful accounts	(2,149)	(2,395)
Total investments and other non-current assets	67,498	69,214
Total fixed assets	251,283	242,408
Total assets	1,172,314	1,104,833

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

	As of December 31, 2008	As of March 31, 2008
LIABILITIES		
Current liabilities		
Notes and accounts payable, trade	762,590	688,730
Short-term bank loans	27,966	29,688
Long-term debt due within one year	3,690	3,693
Income taxes payable	4,763	8,407
Provision for employees' bonuses	4,191	8,686
Allowance for losses on sales returns	792	964
Other current liabilities	23,349	28,863
Total current liabilities	827,345	769,034
Long-term liabilities		
Long-term debt	7,576	5,251
Employees' severance and retirement benefits	16,740	16,487
Negative goodwill	1,739	6,977
Other long-term liabilities	20,004	16,390
Total long-term liabilities	46,060	45,107
Total liabilities	873,405	814,141
NET ASSETS		
Shareholders' equity		
Common stock	22,398	21,813
Capital surplus	134,625	134,039
Retained earnings	162,190	153,533
Treasury stock, at cost	(7,781)	(7,665)
Total shareholders' equity	311,432	301,720
Valuation and translation adjustments		
Unrealized gains on securities, net of taxes	5,181	6,772
Land revaluation differences, net of taxes	(17,714)	(17,824)
Total valuation and translation adjustments	(12,532)	(11,051)
Minority interests	8	23
Total net assets	298,908	290,692
Total liabilities and net assets	1,172,314	1,104,833

(2) Quarterly Consolidated Statements of Income
(Consolidated Third-Quarter Cumulative Period)

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

	Nine months ended December 31, 2008
Net sales	1,885,409
Cost of sales	1,738,717
Gross profit	146,692
Reversal of allowance for losses on sales returns	964
Provision for losses on sales returns	792
Net gross profit	146,864
Selling, general and administrative expenses:	
Wages and salaries	57,528
Welfare expenses	7,198
Provision for bonuses	4,167
Employees' severance and retirement benefit expenses	5,271
Shipping and delivery expenses	12,090
Rental expenses	4,222
Depreciation and amortization	8,069
Provision for doubtful accounts	174
Amortization of goodwill	2,380
Other	31,729
Total selling, general and administrative expenses	132,833
Operating income	14,031
Non-operating income:	
Interest income	209
Dividend income	1,183
Research fee income	4,268
Real estate rental income	1,266
Amortization of negative goodwill	5,402
Other non-operating income	1,175
Total non-operating income	13,505
Non-operating expenses:	
Interest expenses	632
Real estate rental expenses	775
Other non-operating expenses	286
Total non-operating expenses	1,694
Ordinary income	25,842
Extraordinary gains:	
Gain on sale of fixed assets	12
Reversal of allowance for doubtful accounts	988
Other extraordinary gains	192
Total extraordinary gains	1,193
Extraordinary losses:	
Loss on sale and disposal of fixed assets	526
Loss on impairment of fixed assets	2,676
Other extraordinary losses	530
Total extraordinary losses	3,734
Income before income taxes and minority interests	23,301
Current income taxes	10,994
Deferred income taxes	(1,543)
Total income taxes	9,450
Minority interests in net income of consolidated subsidiaries	(13)
Net income	13,865

(3) Quarterly Consolidated Statements of Cash Flows

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

	Nine months ended December 31, 2008
Cash flows from operating activities	
Income before income taxes and minority interests	23,301
Depreciation and amortization	8,521
Loss on impairment of fixed assets	2,676
Amortization of goodwill	2,380
Amortization of negative goodwill	(5,402)
Increase (decrease) in employees' severance and retirement benefits	587
Increase (decrease) in allowance for employees' bonuses	(4,508)
Increase (decrease) in allowance for doubtful accounts	(1,041)
Decrease (increase) in notes and accounts receivable – trade	(49,881)
Decrease (increase) in inventories	(31,831)
Increase (decrease) in notes and accounts payable– trade	73,040
Others	(6,036)
Subtotal	11,806
Interest and dividends received	1,388
Interest expenses paid	(545)
Income taxes paid	(15,804)
Net cash used in operating activities	(3,156)
Cash flows from investing activities	
Payments for purchase of property and equipment	(14,074)
Proceeds from sale of property and equipment	755
Payments for purchase of investment securities	(4,736)
Payment for acquisition of investment in subsidiaries	(98)
Payments for business transfer	(308)
Other, net	(545)
Net cash used in investing activities	(19,008)
Cash flows from financing activities	
Increase (decrease) in short-term bank loans – net	(2,571)
Repayment of leases	(1,859)
Proceeds from long-term debt	5,600
Repayment of long-term debt	(3,812)
Repayment of bonds	(220)
Repayment of convertible bonds	(29)
Purchase of treasury stock	(116)
Cash dividends paid to shareholders	(5,137)
Net cash used in financing activities	(8,147)
Net increase (decrease) in cash and cash equivalents	(30,311)
Cash and cash equivalents at beginning of period	146,345
Cash and cash equivalents at end of period	116,033

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

Third Quarter of the Fiscal Year Ending March 31, 2009 (April 1, 2008 – December 31, 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	1,330,457	550,752	4,199	1,885,409	—	1,885,409
(2) Inter-segment sales and transfer	670	489	1	1,162	(1,162)	—
Total	1,331,127	551,242	4,200	1,886,571	(1,162)	1,885,409
Operating income	7,416	6,537	39	13,993	38	14,031

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 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.

b. Geographic Segment Information

Third-quarter period (April 1, 2008 – December 31, 2008)

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

c. Overseas Sales

Third-quarter period (April 1, 2008 – December 31, 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 Third Quarter of the Fiscal Year Ended March 31, 2008
(1) Quarterly Consolidated Statements of Income (Summary)

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

	Nine months ended December 31, 2007
I Net sales	1,726,541
II Cost of sales	1,583,528
Difference on provision for allowance for losses on sales returns	(121)
Gross profit	143,135
III Selling, general and administrative expenses	121,458
Operating income	21,676
IV Non-operating income:	12,542
Interest and dividend income	1,208
Research fee income	3,983
Amortization of negative goodwill	5,249
Other non-operating income	2,102
V Non-operating expenses:	1,349
Interest expense	409
Other non-operating expenses	939
Ordinary income	32,869
VI Extraordinary gains:	879
Gain on sale of fixed assets	428
Gain on sale of equity in affiliates	5
Reversal of allowance for doubtful accounts	260
Gain on revision of employees' retirement benefit system	138
Gain on cancellation of shares due to absorption of a subsidiary	43
Other extraordinary gains	3
VII Extraordinary losses:	848
Loss on sale and disposal of fixed assets	430
Loss on impairment of fixed assets	75
Special retirement benefits	55
Restructuring costs of business establishments	40
Loss on cancellation of shares due to absorption of a subsidiary	174
Other extraordinary losses	72
Income before income taxes and minority interests	32,901
Income taxes	12,696
Net income	20,205

(2) Quarterly Consolidated Statements of Cash Flows (Summary)

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

	Nine months ended December 31, 2007
I Cash flows from operating activities	
Income before income taxes and minority interests	32,901
Depreciation and amortization	7,508
Loss on impairment of fixed assets	75
Amortization of goodwill (negative goodwill)	(3,291)
Decrease in employees' severance and retirement benefits – net	(2,649)
Decrease in reserve for employees' bonuses	(3,896)
Decrease in allowance for doubtful accounts	(1,113)
Decrease in allowance for losses on sales returns	(121)
Additional retirement benefits for employees	55
Decrease (increase) in notes and accounts receivable – trade	(70,190)
Increase in inventories	(21,700)
Increase in notes and accounts payable	61,706
Other	(6,938)
Subtotal	(7,655)
Additional payment for retirement benefits	(622)
Income taxes paid	(8,771)
Others	881
Net cash (used in) provided by operating activities	(16,168)
II Cash flows from investing activities	
Payments for purchase of property and equipment	(13,488)
Proceeds from sale of property and equipment	3,564
Payments for purchase of investment securities	(2,010)
Payments for acquisition of subsidiary stock	(58)
Other	(753)
Net cash (used in) provided by investing activities	(12,746)
III Cash flows from financing activities	
Increase (decrease) in short-term bank loans – net	(1,853)
Proceeds from long-term debt	5,000
Repayment of long-term debt	(4,297)
Redemption of convertible bonds	(0)
Purchase of treasury stock	(13)
Proceeds from sale of treasury stock	0
Cash dividends paid	(3,471)
Net cash provided by (used in) financing activities	(4,636)
IV Net decrease in cash and cash equivalents	(33,550)
V Cash and cash equivalents at beginning of period	142,439
VI Increase in cash and cash equivalents due to merger	141
VII Decrease in cash and cash equivalents due to merger of consolidated subsidiaries	366
VIII Cash and cash equivalents at end of period	109,396

(3) Segment Information

a. Business Segment Information

Third Quarter of the Fiscal Year Ended March 31, 2008 (April 1, 2007 – December 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	1,307,881	413,870	4,790	1,726,541	—	1,726,541
(2) Intersegment sales and transfers	704	517	1	1,223	(1,223)	—
Total	1,308,585	414,387	4,791	1,727,764	(1,223)	1,726,541
Operating expenses	1,292,681	408,735	4,726	1,706,144	(1,279)	1,704,865
Operating income	15,903	5,651	64	21,620	56	21,676

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 Classification	Details
Wholesale Prescription Pharmaceutical Business	Wholesale distribution of prescription pharmaceuticals, medical equipment and other products
Cosmetics, Daily Necessities and OTC Pharmaceutical 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

Third-quarter period (April 1, 2007 – December 31, 2007)

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

c. Overseas Sales

Third-quarter period (April 1, 2007 – December 31, 2007)

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