

# Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2010

July 31, 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

Representative: Sadatake Kumakura, President and CEO

Contact: Kunie Yamazaki, Manager of Corporate  
Communication Office

Filing of Quarterly Report (scheduled): August 14, 2009

Start of distribution of dividends (scheduled): —

Stock exchange listing: Tokyo

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## 1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2010 (April 1, 2009 to June 30, 2009)

(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, 2009	626,816	1.5	2,447	(68.7)	4,953	(58.4)
Three months ended June 30, 2008	617,581	—	7,807	—	11,921	—

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Three months ended June 30, 2009	(799)	—	(3.35)	—
Three months ended June 30, 2008	6,683	—	28.02	27.89

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
As of June 30, 2009	1,133,338	292,026	25.8	1,231.87
As of March 31, 2009	1,117,287	294,500	26.4	1,229.34

(Reference) Net worth: As of June 30, 2009 ¥292,026 million; As of March 31, 2009: ¥294,500 million

## 2. Cash Dividends

	Dividends per share (¥)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Full year
Year ended March 31, 2009	—	11.00	—	7.00	18.00
Year ending March 31, 2010	—	—	—	—	—
Year ending March 31, 2010 (est.)	—	9.00	—	9.00	18.00

Note: Revisions to projected dividends during the three months ended June 30, 2009: No

## 3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2010 (April 1, 2009 - March 31, 2010)

(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	1,263,000	2.5	6,600	(38.3)	10,700	(42.2)	1,800	(82.9)	7.60
Full year	2,551,000	3.5	20,000	48.6	27,700	(4.5)	9,900	(20.9)	42.00

Note: Revisions to projected consolidated results during the three months ended June 30, 2009: Yes

#### **4. Other**

- (1) Changes in the state of material subsidiaries during the period (changes in specified subsidiaries attendant with change in scope of consolidation): No  
New: — Eliminated: —
- (2) Use of simplified accounting methods or special accounting methods for preparation of the quarterly consolidated financial statements: Yes  
(For details, see “4. Other” of “Qualitative Information and Financial Statements, etc.” on page 5.)
- (3) Changes in principles, procedures, and methods of presentation, etc., related to the preparation of the quarterly consolidated financial statements (changes in material items that form the basis for the preparation and presentation of the quarterly consolidated financial statements)
- (a) Changes related to revisions in accounting principles: No
- (b) Other changes aside from those in (a) above: No
- (4) Number of shares issued and outstanding (common stock)
- (a) Number of shares at the end of the period (including treasury stock)  
Three months ended June 30, 2009: 244,524,496      Year ended March 31, 2009: 244,524,496
- (b) Number of treasury shares at the end of the period:  
Three months ended June 30, 2009: 7,464,335      Year ended March 31, 2008: 4,963,671
- (c) Average number of shares outstanding (cumulative with earlier quarters):  
Three months ended June 30, 2009: 238,834,008      Three months ended June 30, 2008: 238,538,526

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

The Company has revised the figures announced on May 15, 2009 in its forecast of consolidated results for the interim period and the fiscal year. Please refer to the “Notice of Revisions to Consolidated Interim and Fiscal Year Results Forecasts” released on July 31, 2009 for details.

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

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

In the Japanese economy during the first quarter of fiscal 2010, or the three months ended June 30, 2009, severe economic conditions continued, including a substantial decrease in capital investment and rapid deterioration in employment conditions. However, consumer spending showed signs of picking up.

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. In addition, the Mediceo Paltac Group is making proactive investments to ensure stable earnings in the future.

For the first quarter, consolidated net sales were ¥626,816 million (a 1.5 percent increase compared with the first quarter of the previous year), operating income was ¥2,447 million (a 68.7 percent decrease), ordinary income was ¥4,953 million (a 58.4 percent decrease) and net loss was ¥799 million (compared with net income of ¥6,683 million in the first quarter of the previous year).

A summary of results by principal business segments follows below.

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

In sales of prescription pharmaceuticals, the Mediceo Paltac Group proactively conducted sales and provided information on new products and lifestyle disease treatments, for which demand is growing, while working to maintain rational selling prices and secure reasonable profits.

In addition, with overall optimization of distribution as the primary theme, KURAYA SANSEIDO Inc. (Chuo-ku, Tokyo), a wholly owned subsidiary of Mediceo Paltac, established an area logistics center in Totsuka-ku, Yokohama (Kanagawa ALC), and completed construction on May 23, 2009. This facility will enable the Mediceo Paltac Group to provide customers with more advanced, lower-cost logistics functions. The Mediceo Paltac Group will continue to raise productivity while contributing to community health care.

On the other hand, tough selling price negotiations with customers and intense competition between wholesalers has led to a rapid deterioration of the earnings environment of the prescription pharmaceutical wholesale business. Given these conditions, a reduction in compensation was implemented for officers and managers of Mediceo Paltac and its wholly owned subsidiaries in the prescription pharmaceutical wholesale business. In addition, as part of business streamlining measures, voluntary early retirement was offered to employees of Mediceo Paltac's subsidiaries in the prescription pharmaceutical wholesale business, with a retirement date of September 30, 2009, and 257 employees applied.

As a result, sales of the Prescription Pharmaceutical Wholesale Business were ¥444,395 million (a 1.7 percent increase compared with the first quarter of the previous year) and operating income was ¥614 million (a 90.2 percent decrease).

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

In sales of cosmetics, daily necessities and OTC pharmaceuticals, the Mediceo Paltac Group focused on creating a corporate infrastructure capable of increasing productivity across the entire supply chain, from production to consumption, amid continued weakness in consumer spending. On April 1, 2009, the previously separate sales organizations for cosmetics and daily necessities and for healthcare were unified, creating a structure that is more responsive to customer needs. In the Hokkaido area, a large-scale high-tech distribution center, RDC Hokkaido, was built and began operations on May 27, 2009, which consolidated distribution functions in this area and established a system for high-quality, low-cost distribution.

As a result, sales of the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale business were ¥181,858 million (a 1.3 percent increase compared with the first quarter of the previous year) and operating income was ¥1,845 million (a 24.0 percent increase).

## **Related Business**

Sales of food additives were strong as demand for domestic food products remained stable, reflecting food safety issues. Sales of industrial chemicals were on track toward recovery due to the progress of inventory adjustments in the semiconductor and IT industries, but challenging conditions continued.

In these conditions, KURAYA KASEI, INC., a wholly owned subsidiary of Mediceo Paltac, constructed a new head office facility (Chikuma-shi, Nagano Prefecture) with distribution functions, which began operations on May 7, 2009.

As a result, sales of related business were ¥1,095 million (a 26.7 percent decrease compared with the first quarter of the previous year) and operating loss was ¥15 million (compared with operating income of ¥16 million in the first quarter of the previous fiscal 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, 2009 were ¥1,133,338 million, an increase of ¥16,050 million from the end of the previous fiscal year. This was mainly due to an increase of ¥19,598 million in notes and accounts receivable, trade.

Liabilities totaled ¥841,311 million, an increase of ¥18,525 million from the end of the previous fiscal year. This was mainly due to an increase of ¥9,099 million in notes and accounts payable, trade and an increase of ¥6,540 million in accounts payable included in other current liabilities.

Net assets were ¥292,026 million, a decrease of ¥2,474 million from the end of the previous fiscal year. This was mainly due to a decrease of ¥2,474 million in retained earnings and an increase of ¥2,783 million in treasury stock, at cost, partially offset by an increase of ¥2,785 million in unrealized gains on securities.

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

On a consolidated basis in the first quarter, cash at the end of the period decreased ¥19,581 million (14.2 percent) from the end of the previous fiscal year to ¥118,485 million.

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

The decrease in cash from operating activities was ¥7,872 million (an increase of ¥6,442 million was recorded in the same period of the previous year). Main factors were special retirement benefits of ¥5,865 million and an increase in notes and accounts payable - trade of ¥9,099 million. On the other hand, there was an increase of ¥19,712 million in notes and accounts receivable - trade.

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

The decrease in cash from investing activities was ¥9,742 million (an increase of ¥2,575 million compared with in the same period of the previous year). The main factor was ¥8,530 million in payments for purchases of property and equipment including Kanagawa ALC and RDC Hokkaido.

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

The decrease in cash from financing activities was ¥2,010 million (a decrease of ¥3,094 million compared with in the same quarter of the previous year). Main factors were purchase of treasury stock totaling ¥2,783 million.

## **3. Qualitative Information on Projected Consolidated Results**

In the prescription pharmaceutical wholesale business, selling prices are expected to be more stable than originally projected, due in part to the Mediceo Paltac Group's efforts to secure reasonable profits.

In addition, an offer of voluntary early retirement to employees of eight wholly owned consolidated subsidiaries of Mediceo Paltac in the prescription pharmaceutical wholesale business announced on May 15, 2009 resulted in applications from 257 employees out of 1,000 who were eligible. Consequently, the total amount of additional retirement benefits to be paid will decrease.

Despite a projected increase in personnel expenses because the offer of voluntary early retirement resulted in fewer applicants than initially planned, selling, general and administrative expenses are projected to be in line with the previous forecast due to reduction of overhead costs and other expenses.

Given these conditions, Mediceo Paltac revised its forecast of consolidated results for the interim period of the fiscal year ending March 31, 2010 and for the fiscal year ending March 31, 2010. Please refer to the “Notice of Revisions to Consolidated Interim and Fiscal Year Results Forecasts” for details.

#### **4. Other**

(1) Changes in the state of material subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): None applicable

(2) Use of simplified accounting methods or special accounting methods for preparation of the quarterly consolidated financial statements

(a) Use of simplified accounting methods

##### **Valuation of inventories:**

Inventories at the end of this quarterly accounting period are calculated using a reasonable method based inventories at the end of the previous fiscal year instead of an actual physical inventory.

##### **Calculation of estimated loss on ordinary receivables:**

For the loss ratio for the first quarter ended June 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) Special accounting methods for 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  
None applicable

**5. Quarterly Consolidated Financial Statements**  
**(1) Quarterly Consolidated Balance Sheets**

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

	As of June 30, 2009	As of March 31, 2009
<b>ASSETS</b>		
Current assets		
Cash and time deposits	123,990	143,292
Notes and accounts receivable, trade	576,441	556,842
Merchandise and products	119,620	115,143
Deferred income taxes	8,633	6,960
Accounts receivable, other	49,199	50,013
Other current assets	4,362	3,519
Allowance for doubtful accounts	(1,499)	(1,565)
Total current assets	880,747	874,206
Fixed assets		
Property and equipment:		
Buildings and structures (net)	67,836	60,818
Land	87,594	83,072
Construction in progress	5,473	11,006
Other tangible fixed assets (net)	16,116	15,938
Total property and equipment	177,020	170,836
Intangible assets:		
Goodwill	5,193	5,916
Software	4,708	3,932
Other intangible assets	2,915	3,455
Total intangible assets	12,818	13,304
Investments and other non-current assets:		
Investment securities	48,686	44,177
Long-term loans receivable	368	414
Deferred income taxes	241	342
Other assets	15,583	16,132
Allowance for doubtful accounts	(2,127)	(2,127)
Total investments and other non-current assets	62,751	58,939
Total fixed assets	252,590	243,080
Total assets	1,133,338	1,117,287

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

	As of June 30, 2009	As of March 31, 2009
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable, trade	725,866	716,767
Short-term bank loans	32,750	28,813
Long-term debt due within one year	2,988	3,488
Income taxes payable	1,456	532
Provision for employees' bonuses	5,648	7,517
Allowance for losses on sales returns	753	726
Other current liabilities	31,982	23,537
Total current liabilities	801,446	781,382
Long-term liabilities		
Long-term debt	6,500	6,999
Deferred income taxes	8,494	7,600
Deferred income taxes – land revaluation	1,626	1,628
Employees' severance and retirement benefits	16,193	16,779
Other long-term liabilities	7,049	8,396
Total long-term liabilities	39,864	41,403
Total liabilities	841,311	822,786
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	22,398	22,398
Capital surplus	134,625	134,625
Retained earnings	158,322	160,797
Treasury stock, at cost	(10,565)	(7,782)
Total shareholders' equity	304,780	310,038
Valuation and translation adjustments		
Unrealized gains on securities, net of taxes	4,923	2,137
Land revaluation differences, net of taxes	(17,677)	(17,675)
Total valuation and translation adjustments	(12,754)	(15,537)
Total net assets	292,026	294,500
Total liabilities and total net assets	1,133,338	1,117,287

**(2) Quarterly Consolidated Statements of Income**  
**(Consolidated First Quarter Cumulative Period)**

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

	Three months ended June 30, 2008	Three months ended June 30, 2009
Net sales	617,581	626,816
Cost of sales	565,732	581,314
Gross profit	51,849	45,502
Reversal of allowance for losses on sales returns	964	726
Provision for losses on sales returns	825	753
Net gross profit	51,988	45,475
Selling, general and administrative expenses:		
Wages and salaries	16,393	16,237
Welfare expenses	2,415	2,322
Provision for bonuses	4,415	3,978
Employees' severance and retirement benefit expenses	1,686	2,116
Shipping and delivery expenses	4,008	3,713
Rental expenses	1,479	1,311
Depreciation and amortization	2,693	2,407
Provision for doubtful accounts	138	14
Amortization of goodwill	841	722
Other	10,109	10,203
Total selling, general and administrative expenses	44,180	43,028
Operating income	7,807	2,447
Non-operating income:		
Interest income	33	27
Dividend income	509	876
Research fee income	1,357	1,441
Real estate rental income	420	234
Amortization of negative goodwill	1,913	—
Other non-operating income	350	336
Total non-operating income	4,585	2,916
Non-operating expenses:		
Interest expenses	197	198
Real estate rental expenses	250	145
Other non-operating expenses	23	66
Total non-operating expenses	471	410
Ordinary income	11,921	4,953
Extraordinary gains:		
Gain on sale of fixed assets	5	0
Reversal of allowance for doubtful accounts	964	33
Gain on cancellation of shares due to absorption of a subsidiary	—	322
Other extraordinary gains	3	0
Total extraordinary gains	973	357
Extraordinary losses:		
Loss on sale and disposal of fixed assets	206	99
Loss on impairment of fixed assets	1,322	208
Special retirement benefits	—	5,865
Other extraordinary losses	25	95
Total extraordinary losses	1,554	6,269
Income (loss) before income taxes and minority interests	11,341	(957)
Current income taxes	5,539	1,972
Deferred income taxes	(876)	(2,130)
Total income taxes	4,663	(158)
Minority interests in net loss of consolidated subsidiaries	(5)	—
Net income (loss)	6,683	(799)

**(3) Quarterly Consolidated Statements of Cash Flows**

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

	Three months ended June 30, 2008	Three months ended June 30, 2009
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	11,341	(957)
Depreciation and amortization	2,844	2,594
Loss on impairment of fixed assets	1,322	208
Amortization of goodwill	841	722
Amortization of negative goodwill	(1,913)	—
Increase (decrease) in employees' severance and retirement benefits	145	(179)
Increase (decrease) in allowance for employees' bonuses	(2,418)	(1,870)
Increase (decrease) in allowance for doubtful accounts	(890)	(65)
Special retirement benefits	—	5,865
Decrease (increase) in notes and accounts receivable – trade	(15,524)	(19,712)
Decrease (increase) in inventories	(6,387)	(4,476)
Increase (decrease) in notes and accounts payable– trade	24,170	9,099
Others	1,523	2,350
Subtotal	15,053	(6,422)
Interest and dividends received	537	900
Interest expenses paid	(120)	(113)
Special retirement benefits paid	—	(1,004)
Income taxes paid	(9,028)	(1,232)
Net cash provided by (used in) operating activities	6,442	(7,872)
Cash flows from investing activities		
Payments for purchase of property and equipment	(2,540)	(8,530)
Proceeds from sale of property and equipment	186	3
Payments for purchase of investment securities	(3,626)	(304)
Payments for acquisition of investment in subsidiaries	(98)	—
Payments for business transfer	(308)	—
Other, net	(779)	(911)
Net cash used in investing activities	(7,167)	(9,742)
Cash flows from financing activities		
Increase (decrease) in short-term bank loans – net	(2,583)	3,937
Repayment of leases	(642)	(489)
Proceeds from long-term debt	2,000	—
Repayment of long-term debt	(1,281)	(999)
Repayment of convertible bonds	(0)	—
Purchase of treasury stock	(95)	(2,783)
Cash dividends paid to shareholders	(2,502)	(1,676)
Net cash used in financing activities	(5,105)	(2,010)
Net increase (decrease) in cash and cash equivalents	(5,830)	(19,626)
Cash and cash equivalents at beginning of period	146,345	138,067
Increase (decrease) in cash and cash equivalents due to merger of consolidated subsidiaries	—	44
Cash and cash equivalents at end of period	140,514	118,485

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

None applicable

**(5) Segment Information***Business Segment Information*

First Three Months of the Fiscal Year Ended March 31, 2009 (April 1, 2008 – June 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	436,818	179,268	1,494	617,581	—	617,581
(2) Inter-segment sales and transfer	223	171	0	394	(394)	—
Total	437,041	179,439	1,494	617,975	(394)	617,581
Operating income	6,288	1,487	16	7,792	15	7,807

First Three Months of the Fiscal Year Ending March 31, 2010 (April 1, 2009 – June 30, 2009)

(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	444,178	181,542	1,095	626,816	—	626,816
(2) Inter-segment sales and transfer	216	315	0	532	(532)	—
Total	444,395	181,858	1,095	627,349	(532)	626,816
Operating income (loss)	614	1,845	(15)	2,444	3	2,447

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.

*Geographic Segment Information*

Previous first quarter (April 1, 2008 – June 30, 2008) and current first quarter (April 1, 2009 – June 30, 2009)

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

*Overseas Sales*

Previous first quarter (April 1, 2008 – June 30, 2008) and current first quarter (April 1, 2009 – June 30, 2009)

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