

# Summary of Consolidated Financial Statements for the Interim Period of the Fiscal Year Ending March 31, 2012

October 31, 2011

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

## MEDIPAL HOLDINGS CORPORATION

Code number: 7459

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Preparation of Supplementary Materials for the Quarterly

Financial Results: Yes

Presentation Meeting for Quarterly Financial Results: Yes

Stock exchange listing: Tokyo

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Start of Distribution of Dividends (scheduled):

December 5, 2011

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

## 1. Consolidated Results for the Interim Period of the Fiscal Year Ending March 31, 2012 (April 1, 2011 to September 30, 2011)

(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, 2011	1,362,944	3.3	7,846	(50.0)	12,844	(34.8)
Six months ended September 30, 2010	1,319,015	3.8	15,685	69.6	19,693	45.3

Note: Comprehensive income: Six months ended September 30, 2011: ¥4,057 million (-4.1%);

Six months ended September 30, 2010: ¥4,228 million (-%)

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Six months ended September 30, 2011	2,180	(53.7)	9.28	—
Six months ended September 30, 2010	4,714	51.3	20.10	—

## (2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)
As of September 30, 2011	1,243,571	343,069	24.2
As of March 31, 2011	1,284,679	340,983	23.3

(Reference) Net worth: As of September 30, 2011 ¥300,438 million; As of March 31, 2011: ¥299,281 million

## 2. Cash Dividends

	Dividends per share (¥)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Full year
Year ended March 31, 2011	—	9.00	—	9.00	18.00
Year ending March 31, 2012	—	9.00	—	—	—
Year ending March 31, 2012 (est.)	—	—	—	9.00	18.00

Note: Revisions to projected dividends during the second quarter: None

## 3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2012 (April 1, 2011 - March 31, 2012)

(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)	(%)	(¥)
Fiscal year	2,776,000	4.3	20,800	53.5	29,900	30.6	9,700	469.0	41.27

Note: Revisions to forecast of consolidated results during the six months ended September 30, 2011: None

#### 4. Other

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries during the period accompanied by change in scope of consolidation): None  
New: – companies (–) Excluded: – companies (–)
- (2) Application of accounting methods specific to preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting policies and changes in/restatements of accounting estimates
  - (a) Changes in accounting policies: None
  - (b) Changes in accounting policies other than (a) above: None
  - (c) Changes in accounting estimates: None
  - (d) Restatements: None

(4) Number of shares issued and outstanding (common stock)

(a) Number of shares at the end of the period (including treasury stock)	Six months ended September 30, 2011	244,524,496	Year ended March 31, 2011	244,524,496
(b) Number of treasury shares at the end of the period	Six months ended September 30, 2011	9,326,766	Year ended March 31, 2011	9,966,425
(c) Average number of shares outstanding (cumulative with earlier quarters)	Six months ended September 30, 2011	234,895,216	Six months ended September 30, 2010	234,558,850

**\*Items Regarding the Implementation of Quarterly Review Procedures**

This summary of quarterly consolidated results is exempt from the quarterly review procedures based on the Financial Instruments and Exchange Act. Review procedures for the quarterly financial statements based on the Financial Instruments and Exchange Act had not been completed at the time of disclosure of this summary of quarterly consolidated results.

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

The projected results are based on information at the time of this announcement. Actual results may differ from figures in the projection owing to a wide range of factors in the future. See “(3) Qualitative Information on Projected Consolidated Results” of “1. Qualitative Information on Quarterly Financial Results” on page 3 of the attached materials for assumptions, conditions and other items regarding the projected results.

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## **1. Qualitative Information on Quarterly Financial Results**

### **(1) Qualitative Information on Consolidated Results of Operations**

In Japan's economy during the interim period of the fiscal year ending March 31, 2012, or the six months ended September 30, 2011, production activity and consumer spending recovered amid the effects of the Great East Japan Earthquake. However, a mood of uncertainty about the future of the economy prevailed due to the electric power supply problem, the slowdown of overseas economies, the sudden rise of the yen and other factors.

In these economic conditions, the MEDIPAL Group has been promoting establishment of a structure and business activities for accurately responding to the various apparent and underlying needs of customers and consumers, with the aim of realizing the 2014 MEDIPAL Medium-Term Vision, which culminates in the fiscal year ending March 31, 2014. The new structure is based on providing high-quality distribution services that make full use of the MEDIPAL Group's business foundation and wholesale functions.

As part of these efforts, the MEDIPAL Group has launched a Project Finance and Marketing (PFM) initiative, a new business model in which the Group will invest in products of pharmaceutical manufacturers and other organizations at the development stage and earn a return when those products are launched on the market while being the first to sell them to medical institutions.

Regarding our response to nationwide power shortages, MEDIPAL Group companies have been taking various power-saving measures with the goal of reducing power consumption by 15 percent for the Group as a whole.

For the interim period, consolidated net sales were ¥1,362,944 million (a 3.3 percent increase compared with the same period of the previous fiscal year), operating income was ¥7,846 million (a 50.0 percent decrease), ordinary income was ¥12,844 million (a 34.8 percent decrease) and net income was ¥2,180 million (a 53.7 percent decrease).

A summary of results by principal business segment follows below.

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

Sales of prescription pharmaceuticals were steady as the MEDIPAL Group aggressively worked to increase sales of new products and lifestyle disease medications, for which demand is growing. In addition, with the substantial decline in gross profit margins in the previous fiscal year, the MEDIPAL Group took thorough measures to maintain rational selling prices and secure reasonable profits, and further promoted low-cost operations to reduce selling and administrative expenses.

Moreover, to optimize distribution as a whole, wholly owned subsidiary MEDICEO CORPORATION (Chuo-ku, Tokyo) completed construction of Nagoya ALC in Kiyosu-shi, Aichi Prefecture in June 2011 and began operations there. Nagoya ALC is MEDICEO's third area logistics center (ALC) after those in Kanagawa (Totsuka-ku, Yokohama) and Minami Osaka (Yao-shi, Osaka). MEDICEO has thus established a high-quality, highly functional new distribution structure centered on ALCs in the three key markets of Tokyo, Nagoya and Osaka. Preparations are currently under way for the start of operations at the new Sapporo ALC (Kitahiroshima-shi, Hokkaido).

As a result, sales of the Prescription Pharmaceutical Wholesale Business were ¥958,991 million (a 4.0 percent increase compared with the same period of the previous fiscal year) and operating income was ¥1,039 million (a 89.4 percent decrease).

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

In sales of cosmetics, daily necessities and over-the-counter (OTC) pharmaceuticals, the operating environment remained challenging due to intensified competition among companies as consumers continued to economize amid stalled growth in personal income.

In this operating environment, consolidated subsidiary Paltac Corporation (Chuo-ku, Osaka) worked to strengthen its high-quality, low-cost distribution services, merchandising and other functions from the standpoint of retailers as an intermediary distributor offering a full line of essentials related to health and beauty. Paltac also implemented its business strategy aimed at improving the efficiency of the entire supply chain.

In addition, Paltac took measures to maintain a business infrastructure that earns the confidence of customers such as installing in-house power generators at distribution bases to ensure that the supply chain is uninterrupted.

With an eye on future changes in the environment, Paltac also worked to strengthen the foundation for low-cost operation with measures including the consolidation of distribution bases and the implementation of voluntary early retirement for 340 employees in order to right-size the organization at the earliest opportunity.

As a result, sales of the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business were ¥383,772 million (a 2.0 percent increase compared with the same period of the previous fiscal year), and operating income was ¥6,841 million (a 34.4 percent increase).

#### **Related Business**

Sales of the animal health business are mainly divided into products for livestock and for companion animals. In the market for livestock products, the Great East Japan Earthquake caused difficult conditions for sales, primarily in the Tohoku region. In the market for companion animal products, despite the weak economy, sales were solid due to aggressive sales activities.

As a result, sales of the Related Business segment were ¥21,432 million (a 1.8 percent decrease compared with the same period of the previous fiscal year) and operating income was ¥85 million (a 78.7 percent decrease).

Note: Segment sales include inter-segment transactions.

## **(2) Qualitative Information on Consolidated Financial Position**

On a consolidated basis for the six months ended September 30, 2011, cash and cash equivalents (“net cash”) at the end of the period decreased ¥33,951 million (22.9 percent) from the end of the previous fiscal year to ¥114,612 million.

- **Cash Flows from Operating Activities**

The decrease in net cash from operating activities was ¥25,811 million (compared with an increase of ¥21,467 million in the same period of the previous fiscal year). Main factors were a decrease of ¥38,601 million in notes and accounts payable – trade, an increase of ¥15,491 million in notes and accounts receivable – trade, and income taxes paid of ¥7,173 million, offset by income before income taxes and minority interests of ¥7,569 million, depreciation and amortization of ¥6,159 million and a decrease of ¥21,623 million in inventories.

- **Cash Flows from Investing Activities**

The decrease in net cash from investing activities was ¥7,551 million (an increase of ¥2,719 million compared with the same period of the previous fiscal year). The main factor was payments of ¥7,659 million for purchase of property and equipment, including Nagoya ALC.

- **Cash Flows from Financing Activities**

The decrease in net cash from financing activities was ¥587 million (a decrease of ¥6,257 million compared with the same period of the previous fiscal year). The main factors were a net increase in debt of ¥1,885 million and cash dividends paid of ¥2,431 million.

## **(3) Qualitative Information on Projected Consolidated Results**

In the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale business, net income for the six months ended September 30, 2011 was higher than the previous forecast, mainly as a result of an extraordinary gain of ¥2,372 million on insurance proceeds in connection with a fire at the Kazo Distribution Center (Kazo-shi, Saitama Prefecture) on March 11, 2011.

In addition, regarding the forecast of consolidated results for the fiscal year ending March 31, 2012 for the same business, net income is expected to be higher than the previous forecast based on results for the interim period.

There are no changes to the forecasts of consolidated results for the fiscal year ending March 31, 2012, which were released on July 29, 2011.

## **2. Summary Information (Other)**

### **(1) Summary of Changes in Significant Subsidiaries during the Period**

None applicable

### **(2) Summary of Accounting Methods Specific to Preparation of the Quarterly Consolidated Financial Statements**

None applicable

### **(3) Summary of Changes in Accounting Policies and Changes in/Restatements of Accounting Estimates**

None applicable

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

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

	As of March 31, 2011	As of September 30, 2011
<b>ASSETS</b>		
Current assets:		
Cash and time deposits	153,943	119,922
Notes and accounts receivable, trade	603,026	618,569
Securities	18,723	18,729
Inventories	158,021	136,398
Other current assets	72,544	71,494
Allowance for doubtful accounts	(1,636)	(1,505)
Total current assets	1,004,623	963,608
Fixed assets		
Property and equipment:		
Buildings and structures (net)	72,273	73,782
Land	94,874	94,996
Other tangible fixed assets (net)	24,749	23,887
Total property and equipment	191,896	192,666
Intangible assets:		
Goodwill	63	31
Other intangible assets	6,886	6,804
Total intangible assets	6,949	6,836
Investments and other non-current assets:		
Other assets	83,187	82,349
Allowance for doubtful accounts	(1,977)	(1,888)
Total investments and other non-current assets	81,209	80,460
Total fixed assets	280,056	279,963
Total assets	1,284,679	1,243,571

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

	As of March 31, 2011	As of September 30, 2011
<b>LIABILITIES</b>		
Current liabilities:		
Notes and accounts payable, trade	820,137	781,535
Short-term bank loans	35,002	32,865
Long-term debt due within one year	1,956	3,054
Income taxes payable	7,427	850
Provision for employees' bonuses	7,980	7,818
Allowance for losses on sales returns	708	641
Provision for disaster	942	534
Other current liabilities	26,481	26,847
Total current liabilities	900,635	854,147
Long-term liabilities:		
Long-term debt	5,848	8,772
Employees' severance and retirement benefits	15,046	15,015
Other long-term liabilities	22,166	22,566
Total long-term liabilities	43,060	46,354
Total liabilities	943,696	900,502
<b>NET ASSETS</b>		
Shareholders' equity:		
Common stock	22,398	22,398
Capital surplus	134,625	134,182
Retained earnings	158,807	158,888
Treasury stock	(13,501)	(12,603)
Total shareholders' equity	302,329	302,866
Accumulated other comprehensive income:		
Unrealized gains on securities, net of taxes	14,223	14,851
Deferred gains or losses on hedges	1	(0)
Land revaluation differences, net of taxes	(17,273)	(17,279)
Total accumulated other comprehensive income	(3,048)	(2,428)
Minority interests	41,701	42,631
Total net assets	340,983	343,069
Total liabilities and total net assets	1,284,679	1,243,571

**(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income**

**Quarterly Consolidated Statements of Income**  
(Interim Period)

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

	Six months ended September 30, 2010	Six months ended September 30, 2011
Net sales	1,319,015	1,362,944
Cost of sales	1,215,062	1,268,464
Gross profit	103,952	94,480
Reversal of allowance for losses on sales returns	774	708
Provision for losses on sales returns	803	641
Net gross profit	103,923	94,547
Selling, general and administrative expenses		
Wages and salaries	33,767	33,755
Welfare expenses	4,940	5,485
Provision for bonuses	8,437	7,798
Employees' severance and retirement benefit expenses	3,569	3,088
Shipping and delivery expenses	7,473	7,442
Rental expenses	2,681	2,527
Depreciation and amortization	5,498	5,484
Provision for doubtful accounts	22	2
Amortization of goodwill	861	31
Other	20,985	21,083
Total selling, general and administrative expenses	88,238	86,700
Operating income	15,685	7,846
Non-operating income		
Interest income	72	66
Dividend income	776	980
Research fee income	3,101	3,323
Real estate rental income	462	478
Equity in earnings of affiliates	—	260
Other non-operating income	635	577
Total non-operating income	5,049	5,688
Non-operating expenses		
Interest expenses	378	303
Real estate rental expenses	307	284
Equity in losses of affiliates	34	—
Other non-operating expenses	320	101
Total non-operating expenses	1,041	690
Ordinary income	19,693	12,844
Extraordinary gains		
Gain on sale of property and equipment	36	84
Gain on change in equity	102	—
Reversal of allowance for doubtful accounts	248	—
Insurance proceeds	—	2,372
Compensation for merchandise destroyed by disaster	—	603
Other extraordinary gains	1	1
Total extraordinary gains	389	3,061
Extraordinary losses		
Loss on sale or disposal of property and equipment	210	219
Loss on impairment of fixed assets	1,154	263
Amortization of goodwill	969	—
Loss on devaluation of investments in capital	742	—
Loss on devaluation of investments in affiliates	—	1,317
Additional retirement benefits for employees	2,427	5,827
Loss on adjustment for changes of accounting standard for asset retirement obligations	665	—
Other extraordinary losses	481	707
Total extraordinary losses	6,651	8,336
Income before income taxes and minority interests	13,431	7,569
Current income taxes	15,104	1,118
Deferred income taxes	(7,817)	3,170
Total income taxes	7,287	4,289
Income before minority interests	6,144	3,280
Minority interests in net income of consolidated subsidiaries	1,429	1,099
Net income	4,714	2,180

**Quarterly Consolidated Statements of Comprehensive Income**  
(Interim Period)

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

	Six months ended September 30, 2010	Six months ended September 30, 2011
Income before minority interests	6,144	3,280
Other comprehensive income		
Unrealized gains on securities, net of taxes	(1,912)	780
Deferred gains or losses on hedges	(2)	(3)
Share of other comprehensive income of affiliates accounted for using equity method	(0)	(0)
Total other comprehensive income	(1,915)	776
Comprehensive income	4,228	4,057
(Attributable to)		
Owners of the parent	2,962	2,807
Minority interests	1,266	1,249

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

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

	Six months ended September 30, 2010	Six months ended September 30, 2011
Cash flows from operating activities:		
Income before income taxes and minority interests	13,431	7,569
Depreciation and amortization	5,821	6,159
Loss on impairment of fixed assets	1,154	263
Amortization of goodwill	1,831	31
Increase (decrease) in employees' severance and retirement benefits	(43)	(411)
Decrease in allowance for employees' bonuses	(136)	(162)
Decrease in allowance for doubtful accounts	(396)	(220)
Additional retirement benefits for employees	2,427	5,827
Decrease (increase) in notes and accounts receivable – trade	(19,467)	(15,491)
Decrease (increase) in inventories	(10,512)	21,623
Increase (decrease) in notes and accounts payable – trade	31,826	(38,601)
Others	(1,378)	937
Subtotal	24,558	(12,473)
Interest and dividends received	846	1,249
Interest expenses paid	(352)	(292)
Payment for additional retirement benefits for employees	(538)	(6,550)
Payment for loss on disaster	—	(571)
Income taxes paid	(3,046)	(7,173)
Net cash provided by (used in) operating activities	21,467	(25,811)
Cash flows from investing activities:		
Payments for purchase of property and equipment	(5,073)	(7,659)
Proceeds from sale of property and equipment	1,567	353
Payments for purchase of investment securities	(846)	(355)
Other, net	(480)	109
Net cash used in investing activities	(4,832)	(7,551)
Cash flows from financing activities:		
Decrease in short-term bank loans – net	(4,125)	(2,136)
Repayment of lease obligation	(777)	(531)
Proceeds from long-term debt	1,500	5,000
Repayment of long-term debt	(978)	(978)
Purchase of treasury stock	(0)	(0)
Proceeds from sale of treasury stock	0	489
Cash dividends paid to shareholders	(2,111)	(2,111)
Cash dividends paid to minority interests	(352)	(319)
Net cash used in financing activities	(6,845)	(587)
Net increase (decrease) in cash and cash equivalents	9,789	(33,951)
Cash and cash equivalents at beginning of period	132,454	148,563
Increase in cash and cash equivalents due to change in scope of consolidation	836	—
Cash and cash equivalents at end of period	143,080	114,612

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

None applicable

**(5) Segment Information***Segment Information***I. Interim Period of the Fiscal Year Ended March 31, 2011 (April 1, 2010 – September 30, 2010)**

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

	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Related Business	Total	Adjustments (Note 1)	Amount reported in quarterly consolidated statements of income (Note 2)
Net sales:						
Sales to outside customers	921,305	375,894	21,815	1,319,015	—	1,319,015
Intersegment sales and transfers	875	299	4	1,179	(1,179)	—
Total	922,181	376,194	21,820	1,320,195	(1,179)	1,319,015
Segment income	9,846	5,089	402	15,338	347	15,685

Notes: 1. The segment income adjustment of ¥347 million includes eliminations of intersegment transactions of ¥1,248 million and group-wide expenses of ¥901 million that are not allocated to reportable segments.

2. Segment income is adjusted to operating income as reported in the quarterly consolidated statements of income.

**II. Interim Period of the Fiscal Year Ending March 31, 2012 (April 1, 2011 – September 30, 2011)**

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

	Prescription Pharmaceutical Wholesale Business	Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business	Related Business	Total	Adjustments (Note 1)	Amount reported in quarterly consolidated statements of income (Note 2)
Net sales:						
Sales to outside customers	958,167	383,349	21,428	1,362,944	—	1,362,944
Intersegment sales and transfers	823	423	3	1,251	(1,251)	—
Total	958,991	383,772	21,432	1,364,195	(1,251)	1,362,944
Segment income	1,039	6,841	85	7,967	(120)	7,846

Notes: 1. The segment income adjustment of ¥120 million includes eliminations of intersegment transactions of ¥1,250 million and group-wide expenses of ¥1,371 million that are not allocated to reportable segments.

2. Segment income is adjusted to operating income as reported in the quarterly consolidated statements of income.

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

None applicable