

Summary of Consolidated Financial Statements for the Interim Period of the Fiscal Year Ending March 31, 2010

October 30, 2009

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

Representative: Sadatake Kumakura, President and CEO

Contact: Kunie Yamazaki, Manager of Corporate Communication Department

Filing of Securities Report (*Shihanki Hokokusho*) (scheduled): November 13, 2009

Start of distribution of dividends (scheduled): December 4, 2009

Stock exchange listing: Tokyo

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

1. Consolidated Results for the Interim Period of the Fiscal Year Ending March 31, 2010 (April 1, 2009 to September 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 (%)
Six months ended September 30, 2009	1,270,542	3.1	9,250	(13.5)	13,551	(26.8)
Six months ended September 30, 2008	1,232,172	—	10,695	—	18,516	—

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Six months ended September 30, 2009	3,115	(70.3)	13.15	—
Six months ended September 30, 2008	10,508	—	44.00	43.86

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
As of September 30, 2009	1,153,051	294,095	25.5	1,253.82
As of March 31, 2009	1,117,287	294,500	26.4	1,229.34

(Reference) Net worth: As of September 30, 2009: ¥294,095 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	—	9.00	—	—	—
Year ending March 31, 2010 (est.)	—	—	—	9.00	18.00

Note: Revisions to projected dividends during the quarter: 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 fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
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 quarter: No

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): No
New: — Eliminated: —
- (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 page 5.)
- (3) Changes in accounting 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 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)
Six months ended September 30, 2009: 244,524,496; Year ended March 31, 2009: 244,524,496
(b) Number of treasury shares at the end of the period:
Six months ended September 30, 2009: 9,964,477; Year ended March 31, 2009: 4,963,671
(c) Average number of shares outstanding during the period (cumulative with earlier quarters):
Six months ended September 30, 2009: 236,894,683; Six months ended September 30, 2008: 238,810,177

Cautionary Remarks Regarding Proper Use of Projected Results and Other Items

The projected results are based on information available at the time of this announcement. Actual results may differ from the figures in the projection owing to a wide range of factors in the future. See “3. Qualitative Information on Projected Consolidated Results” of “Qualitative Information and Financial Statements, etc.” on page 4 for assumptions, conditions and other items regarding the projected results.

Qualitative Information and Financial Statements, etc.

1. Qualitative Information on Consolidated Business Results

In the Japanese economy during the interim period of fiscal 2010, or the six months ended September 30, 2009, economic conditions remained severe. While the upward trend in consumer spending continued, capital investment decreased and employment conditions deteriorated further.

In these economic conditions, the MEDIPAL Group (the Company and its consolidated subsidiaries) has been carrying 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 MEDIPAL Group has been making proactive investments to ensure stable earnings in the future.

For the interim period, consolidated net sales were ¥1,270,542 million (a 3.1 percent increase compared with the same period of the previous year) and operating income was ¥9,250 million (a 13.5 percent decrease). Ordinary income was ¥13,551 million (a 26.8 percent decrease) due to the completion of amortization of negative goodwill, which had been recorded in non-operating income until the previous fiscal year, and net income was ¥3,115 million (a 70.3 percent decrease) due to special retirement benefits recorded as an extraordinary loss.

A summary of results by principal business segments follows below.

Prescription Pharmaceutical Wholesale Business

In sales of prescription pharmaceuticals, demand for products related to a new influenza virus grew due to the spread of infections, and all companies in the MEDIPAL Group aggressively implemented measures to strengthen sales of lifestyle disease medications and new products, while working to maintain rational selling prices and secure reasonable profits. As a result, sales were solid.

In addition, with overall optimization of distribution as the primary theme, KURAYA SANSEIDO Inc. (Chuo-ku, Tokyo; corporate name changed to MEDICEO CORPORATION on October 1, 2009), a wholly owned subsidiary of the Company, established an area logistics center in Totsuka-ku, Yokohama (Kanagawa ALC), and completed construction in May 2009. The facility began operations smoothly in September. The MEDIPAL Group will continue to successively consolidate sales bases in the Kanagawa area while expanding shipping to customers.

On the other hand, to address the rapid deterioration of the earnings environment, a reduction in compensation was implemented for officers and managers of the Company 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 the Company'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 ¥894,446 million (a 3.8 percent increase compared with the same period of the previous year) and operating income was ¥3,345 million (a 47.9 percent decrease).

Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business

In sales of cosmetics, daily necessities and OTC pharmaceuticals, the MEDIPAL Group took measures to increase productivity across the entire supply chain, from production to consumption, and to create a corporate infrastructure better able to respond to customer needs by unifying the sales organizations for cosmetics and daily necessities and for healthcare. In addition, the MEDIPAL Group focused on the smooth supply of products that are useful in preventing infections of the new influenza virus. As a result, sales were firm.

Furthermore, in the Hokkaido area, a large-scale high-tech distribution center (RDC Hokkaido) was completed and began operations in May 2009 to further promote a low-cost, high-quality distribution system.

As a result, sales of the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale business were ¥374,497 million (a 1.7 percent increase compared with the same period of the previous year) and operating income was ¥5,907 million (a 40.5 percent increase).

Related Business

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. Sales of food additives were weak

due to the effect of unfavorable summer weather, although demand for domestic food products remained stable, reflecting food safety issues.

In these conditions, KURAYA KASEI, INC. (Chikuma-shi, Nagano Prefecture), a wholly owned subsidiary of the Company, relocated to a new head office facility with distribution functions in May 2009.

As a result, sales of related business were ¥2,342 million (a 23.1 percent decrease compared with the same period of the previous year) and operating loss was ¥6 million (compared with operating income of ¥33 million in the same period 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 September 30, 2009 were ¥1,153,051 million, an increase of ¥35,763 million from the end of the previous fiscal year. This was mainly due to an increase of ¥30,844 million in notes and accounts receivable, trade.

Liabilities totaled ¥858,955 million, an increase of ¥36,169 million from the end of the previous fiscal year. This was mainly due to an increase of ¥26,868 million in notes and accounts payable, trade.

Net assets were ¥294,095 million, a decrease of ¥405 million from the end of the previous fiscal year. This was mainly due to an increase of ¥5,717 million in treasury stock, at cost, partially offset by an increase of ¥3,872 million in unrealized gains on securities, net of taxes and an increase of ¥1,275 million in retained earnings.

(2) Cash Flows

In the interim period, cash at the end of the period decreased ¥15,257 million (11.1 percent) from the end of the previous fiscal year to ¥122,810 million.

Cash Flows from Operating Activities

The increase in cash from operating activities was ¥4,153 million (a decrease of ¥8,520 million compared with the same period of the previous year). Main factors were income before income taxes and minority interests of ¥6,384 million and an increase in notes and accounts payable – trade of ¥26,868 million. On the other hand, there was an increase of ¥30,874 million in notes and accounts receivable – trade.

Cash Flows from Investing Activities

The decrease in cash from investing activities was ¥13,039 million (an increase of ¥833 million compared with the same period of the previous year). The main factor was ¥10,909 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 ¥6,415 million (a decrease of ¥828 million compared with the same period of the previous year). Main factors were purchase of treasury stock totaling ¥5,717 million and cash dividends paid to shareholders totaling ¥1,676 million, partially offset by a net increase of ¥1,958 million in borrowings.

3. Qualitative Information on Projected Consolidated Results

In the Prescription Pharmaceutical Wholesale Business and the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business, demand has increased for products related to the new influenza virus. Consequently, on October 26, 2009, the Company revised its forecast of consolidated results for the interim period of the fiscal year ending March 31, 2010, which it had announced on July 31, 2009.

The forecast for the full fiscal year announced on July 31, 2009 is unchanged, as the effect of the National Health Insurance drug price revisions scheduled for April 2010 on the invoice prices of pharmaceutical manufacturers is uncertain at present.

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 quarterly consolidated financial statements

(a) Simplified accounting methods:

Calculation of estimated loss on ordinary receivables:

For the loss ratio for the interim period ended September 30, 2009, 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 quarterly consolidated financial statements:
None applicable

(3) Changes in accounting principles, procedures and methods of presentation, etc., related to the preparation of quarterly consolidated financial statements
None applicable

5. Interim Consolidated Financial Statements

(1) Interim Consolidated Balance Sheets

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

	As of September 30, 2009	As of March 31, 2009
ASSETS		
Current assets		
Cash and time deposits	128,290	143,292
Notes and accounts receivable, trade	587,686	556,842
Merchandise and products	122,379	115,143
Other current assets	63,435	60,493
Allowance for doubtful accounts	(1,497)	(1,565)
Total current assets	900,294	874,206
Fixed assets		
Property and equipment		
Buildings and structures (net)	66,709	60,818
Land	87,422	83,072
Other tangible fixed assets (net)	22,169	26,945
Total property and equipment	176,301	170,836
Intangible assets		
Goodwill	4,470	5,916
Other intangible assets	7,895	7,388
Total intangible assets	12,366	13,304
Investments and other non-current assets		
Other assets	66,103	61,067
Allowance for doubtful accounts	(2,014)	(2,127)
Total investments and other non-current assets	64,089	58,939
Total fixed assets	252,756	243,080
Total assets	1,153,051	1,117,287

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

	As of September 30, 2009	As of March 31, 2009
LIABILITIES		
Current liabilities		
Notes and accounts payable, trade	743,636	716,767
Short-term bank loans	32,641	28,813
Long-term debt due within one year	2,616	3,488
Income taxes payable	4,771	532
Provision for employees' bonuses	7,627	7,517
Allowance for losses on sales returns	714	726
Other current liabilities	28,410	23,537
Total current liabilities	820,417	781,382
Long-term liabilities		
Long-term debt	6,001	6,999
Employees' severance and retirement benefits	15,056	16,779
Other long-term liabilities	17,480	17,624
Total long-term liabilities	38,537	41,403
Total liabilities	858,955	822,786
NET ASSETS		
Shareholders' equity		
Common stock	22,398	22,398
Capital surplus	134,625	134,625
Retained earnings	162,072	160,797
Treasury stock, at cost	(13,499)	(7,782)
Total shareholders' equity	305,596	310,038
Valuation and translation adjustments		
Unrealized gains on securities, net of taxes	6,010	2,137
Land revaluation differences, net of taxes	(17,511)	(17,675)
Total valuation and translation adjustments	(11,500)	(15,537)
Total net assets	294,095	294,500
Total liabilities and total net assets	1,153,051	1,117,287

(2) Interim Consolidated Statements of Income

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

	Six months ended September 30, 2008	Six months ended September 30, 2009
Net sales	1,232,172	1,270,542
Cost of sales	1,132,769	1,175,542
Gross profit	99,403	95,000
Reversal of allowance for losses on sales returns	964	726
Provision for losses on sales returns	749	714
Net gross profit	99,618	95,011
Selling, general and administrative expenses		
Wages and salaries	32,820	32,564
Welfare expenses	4,788	4,480
Provision for bonuses	8,692	7,607
Employees' severance and retirement benefit expenses	3,564	4,125
Shipping and delivery expenses	8,034	7,504
Rental expenses	2,874	2,629
Depreciation and amortization	5,446	4,979
Provision for doubtful accounts	167	50
Amortization of goodwill	1,610	1,445
Other	20,923	20,374
Total selling, general and administrative expenses	88,922	85,761
Operating income	10,695	9,250
Non-operating income		
Interest income	179	103
Dividend income	673	913
Research fee income	2,741	2,936
Real estate rental income	843	465
Amortization of negative goodwill	3,662	—
Other non-operating income	853	749
Total non-operating income	8,953	5,169
Non-operating expenses		
Interest expenses	412	403
Real estate rental expenses	520	309
Other non-operating expenses	199	154
Total non-operating expenses	1,133	867
Ordinary income	18,516	13,551
Extraordinary gains		
Gain on sale of fixed assets	8	2
Reversal of allowance for doubtful accounts	979	30
Gain on cancellation of shares due to absorption of a subsidiary	—	322
Other extraordinary gains	8	2
Total extraordinary gains	995	358
Extraordinary losses		
Loss on sale and disposal of fixed assets	374	338
Loss on impairment of fixed assets	1,371	629
Special retirement benefits	—	6,447
Other extraordinary losses	402	111
Total extraordinary losses	2,148	7,526
Income before income taxes and minority interests	17,363	6,384
Current income taxes	10,223	4,923
Deferred income taxes	(3,354)	(1,654)
Total income taxes	6,869	3,268
Minority interests in net loss of consolidated subsidiaries	(14)	—
Net income	10,508	3,115

(3) Interim Consolidated Statements of Cash Flows

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

	Six months ended September 30, 2008	Six months ended September 30, 2009
Cash flows from operating activities		
Income before income taxes and minority interests	17,363	6,384
Depreciation and amortization	5,746	5,371
Loss on impairment of fixed assets	1,371	629
Amortization of goodwill	1,610	1,445
Amortization of negative goodwill	(3,662)	—
Increase (decrease) in employees' severance and retirement benefits	469	(1,080)
Increase (decrease) in allowance for employees' bonuses	22	107
Increase (decrease) in allowance for doubtful accounts	(940)	(180)
Special retirement benefits	—	6,447
Decrease (increase) in notes and accounts receivable – trade	(5,840)	(30,874)
Decrease (increase) in inventories	(7,364)	(7,236)
Increase (decrease) in notes and accounts payable– trade	17,691	26,868
Others	(5,051)	(1,368)
Subtotal	21,415	6,514
Interest and dividends received	851	1,015
Interest expenses paid	(407)	(374)
Special retirement benefits paid	—	(2,753)
Income taxes paid	(9,185)	(248)
Net cash provided by operating activities	12,673	4,153
Cash flows from investing activities		
Payments for purchase of property and equipment	(7,364)	(10,909)
Proceeds from sale of property and equipment	252	35
Payments for purchase of investment securities	(4,324)	(522)
Payment for acquisition of investment in subsidiaries	(98)	—
Payments for business transfer	(308)	—
Other, net	(362)	(1,644)
Net cash used in investing activities	(12,206)	(13,039)
Cash flows from financing activities		
Increase (decrease) in short-term bank loans – net	(2,382)	3,828
Repayment of leases	(1,269)	(979)
Proceeds from long-term debt	2,000	—
Repayment of long-term debt	(2,731)	(1,870)
Repayment of bonds	(220)	—
Repayment of convertible bonds	(29)	—
Purchase of treasury stock	(108)	(5,717)
Proceeds from sale of treasury stock	—	0
Cash dividends paid to shareholders	(2,502)	(1,676)
Net cash used in financing activities	(7,243)	(6,415)
Net increase (decrease) in cash and cash equivalents	(6,776)	(15,301)
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	139,569	122,810

(4) Notes Regarding Assumptions of Going Concern

None applicable

(5) Segment Information

a. Business Segment Information

Interim Period of the Fiscal Year Ended 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

Interim Period of the Fiscal Year Ending March 31, 2010 (April 1, 2009 – September 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	894,177	374,022	2,341	1,270,542	—	1,270,542
(2) Inter-segment sales and transfer	268	475	0	744	(744)	—
Total	894,446	374,497	2,342	1,271,287	(744)	1,270,542
Operating income	3,345	5,907	(6)	9,246	4	9,250

Notes: 1. Business Classification Method

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

2. Description 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

Previous interim period (April 1, 2008 – September 30, 2008) and current interim period (April 1, 2009 – September 30, 2008)

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

c. Overseas Sales

Previous interim period (April 1, 2008 – September 30, 2008) and current interim period (April 1, 2009 – September 30, 2008)

Overseas sales are omitted because they consisted of less than 10 percent of total consolidated net sales.

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

None applicable