

Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2012

July 29, 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

Representative: Sadatake Kumakura, President and CEO

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Filing of Quarterly Report (scheduled): August 12, 2011

Preparation of Supplementary Materials for the Quarterly

Financial Results: None

Presentation Meeting for Quarterly Financial Results: None

Stock exchange listing: Tokyo

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Start of Distribution of Dividends (scheduled): —

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

1. Consolidated Results for the First Quarter of the Fiscal Year Ending March 31, 2012 (April 1, 2011 to June 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 (%)
Three months ended June 30, 2011	674,956	2.8	2,186	(73.6)	5,148	(51.3)
Three months ended June 30, 2010	656,309	4.7	8,294	238.9	10,568	113.3

Note: Comprehensive income: Three months ended June 30, 2011: ¥3,317 million (150.3%);

Three months ended June 30, 2010: ¥1,325 million (— %)

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Three months ended June 30, 2011	1,873	(28.6)	7.99	—
Three months ended June 30, 2010	2,622	—	11.18	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)
As of June 30, 2011	1,261,762	342,359	23.8
As of March 31, 2011	1,284,679	340,983	23.3

(Reference) Net worth: As of June 30, 2011 ¥300,119 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	—	—	—	—	—
Year ending March 31, 2012 (est.)	—	9.00	—	9.00	18.00

Note: Revisions to projected dividends during the three months ended June 30, 2011: 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)	(%)	(¥)
Interim period	1,371,000	3.9	8,000	(49.0)	12,600	(36.0)	1,700	(63.9)	7.24
Fiscal year	2,776,000	4.3	20,800	53.5	29,900	30.6	9,700	469.0	41.26

Note: Revisions to forecast of consolidated results during the three months ended June 30, 2011: Yes

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)	Three months ended June 30, 2011	244,524,496	Year ended March 31, 2011	244,524,496
(b) Number of treasury shares at the end of the period	Three months ended June 30, 2011	9,278,625	Year ended March 31, 2011	9,966,425
(c) Average number of shares outstanding (cumulative with earlier quarters)	Three months ended June 30, 2011	234,565,592	Three months ended June 30, 2010	234,558,971

***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 forecast of consolidated results for the interim period and the fiscal year has been revised from the figures announced on May 13, 2011. For details, see “Notice of Revisions to Consolidated Interim and Fiscal Year Results Forecasts” released on July 29, 2011.

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1. Qualitative Information on Quarterly Financial Results

(1) Qualitative Information on Consolidated Results of Operations

In the first quarter of the fiscal year ending March 31, 2012, the three months ended June 30, 2011, the Japanese economy began to show an upward trend despite the impact of the Great East Japan Earthquake, with emerging signs of a bottoming out in capital investment and consumer spending as production moved toward recovery.

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.

Meanwhile, operating companies worked to quickly restore distribution and sales functions that were damaged by the Great East Japan Earthquake and by fire. As a result, the Group was able to continue and stabilize its business activities. Regarding our response to 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 first quarter, consolidated net sales were ¥674,956 million (a 2.8 percent increase compared with the same period of the previous fiscal year), operating income was ¥2,186 million (a 73.6 percent decrease), ordinary income was ¥5,148 million (a 51.3 percent decrease) and net income was ¥1,873 million (a 28.6 percent decrease).

A summary of results by principal business segments 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 ongoing deterioration of the earnings environment from the previous fiscal year, the MEDIPAL Group took thorough measures to maintain rational selling prices and secure reasonable profits.

Moreover, to optimize distribution as a whole, wholly owned subsidiary MEDICEO CORPORATION (Chuo-ku, Tokyo) completed construction of Nagoya ALC in Kiyosu, 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, 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.

As a result, sales of the Prescription Pharmaceutical Wholesale Business were ¥474,396 million (a 2.3 percent increase compared with the same period of the previous fiscal year) and operating loss was ¥927 million (compared with operating income of ¥5,972 million in the same period of the previous fiscal year).

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 steadily implemented its business strategy aimed at improving efficiency of the entire supply chain.

As a result, sales of the Cosmetics, Daily Necessities and OTC Pharmaceutical Wholesale Business were ¥190,387 million (a 4.6 percent increase compared with the same period of the previous fiscal year), and operating income was ¥2,830 million (a 41.1 percent increase).

Related Business

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 ¥10,849 million (a 3.0 percent decrease compared with the same period of the previous fiscal year) and operating income was ¥99 million (a 17.6 percent decrease).

Note: Segment sales include inter-segment transactions.

(2) Qualitative Information on Consolidated Financial Position

On a consolidated basis for the three months ended June 30, 2011, cash and cash equivalents (“net cash”) at the end of the period decreased ¥24,911 million (16.8 percent) from the end of the previous fiscal year to ¥123,652 million.

- **Cash Flows from Operating Activities**

The decrease in net cash from operating activities was ¥17,466 million (compared with an increase of ¥28,011 million in the same period of the previous fiscal year). Main factors were a decrease of ¥16,519 million in notes and accounts payable – trade and an increase of ¥10,163 million in notes and accounts receivable – trade, offset by income before income taxes and minority interests of ¥4,738 million, depreciation and amortization of ¥2,958 million and a decrease of ¥8,962 million in inventories.

- **Cash Flows from Investing Activities**

The decrease in net cash from investing activities was ¥4,612 million (an increase of ¥3,228 million compared with the same period of the previous fiscal year). The main factor was payment of ¥5,082 million for purchase of property and equipment, including Nagoya ALC.

- **Cash Flows from Financing Activities**

The decrease in net cash from financing activities was ¥2,832 million (a decrease of ¥1,295 million compared with the same period of the previous fiscal year). The main factor was cash dividends paid of ¥2,431 million.

(3) Qualitative Information on Projected Consolidated Results

An offer of voluntary early retirement targeting 200 employees of consolidated subsidiary Paltac Corporation announced on April 28, 2011 resulted in applications from 340 employees. Consequently, personnel expenses and other selling, general and administrative expenses decreased, and extraordinary losses including payment of additional special retirement benefits are projected to increase.

Given these conditions, the Company revised its forecast of consolidated results for the interim period of the fiscal year ending March 31, 2012 and for the fiscal year ending March 31, 2012. For details, see “Notice of Revisions to Consolidated Interim and Fiscal Year Results Forecasts” 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 June 30, 2011
ASSETS		
Current assets		
Cash and time deposits	153,943	129,032
Notes and accounts receivable, trade	603,026	613,301
Marketable securities	18,723	18,726
Inventories	158,021	149,058
Other current assets	72,544	71,429
Allowance for doubtful accounts	(1,636)	(1,674)
Total current assets	1,004,623	979,874
Fixed assets		
Property and equipment		
Buildings and structures (net)	72,273	71,253
Land	94,874	94,956
Other tangible fixed assets (net)	24,749	27,208
Total property and equipment	191,896	193,417
Intangible assets		
Goodwill	63	47
Other intangible assets	6,886	6,989
Total intangible assets	6,949	7,037
Investments and other non-current assets		
Other assets	83,187	83,255
Allowance for doubtful accounts	(1,977)	(1,822)
Total investments and other non-current assets	81,209	81,433
Total fixed assets	280,056	281,887
Total assets	1,284,679	1,261,762

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

	As of March 31, 2011	As of June 30, 2011
LIABILITIES		
Current liabilities		
Notes and accounts payable, trade	820,137	803,617
Short-term bank loans	35,002	34,869
Long-term debt due within one year	1,956	1,956
Income taxes payable	7,427	1,626
Provision for employees' bonuses	7,980	5,814
Allowance for losses on sales returns	708	665
Provision for disaster	942	708
Other current liabilities	26,481	27,407
Total current liabilities	900,635	876,665
Long-term liabilities		
Long-term debt	5,848	5,359
Employees' severance and retirement benefits	15,046	15,257
Other long-term liabilities	22,166	22,121
Total long-term liabilities	43,060	42,738
Total liabilities	943,696	919,403
NET ASSETS		
Shareholders' equity		
Common stock	22,398	22,398
Capital surplus	134,625	134,182
Retained earnings	158,807	158,570
Treasury stock, at cost	(13,501)	(12,569)
Total shareholders' equity	302,329	302,581
Accumulated other comprehensive income		
Unrealized gains on securities, net of taxes	14,223	14,811
Gain (loss) on deferred hedges	1	0
Land revaluation differences, net of taxes	(17,273)	(17,273)
Total accumulated other comprehensive income	(3,048)	(2,461)
Minority interests	41,701	42,239
Total net assets	340,983	342,359
Total liabilities and total net assets	1,284,679	1,261,762

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

Quarterly Consolidated Statements of Income

(Consolidated First Quarter Cumulative Period)

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

	Three months ended June 30, 2010	Three months ended June 30, 2011
Net sales	656,309	674,956
Cost of sales	604,109	629,578
Gross profit	52,200	45,378
Reversal of allowance for losses on sales returns	774	708
Provision for losses on sales returns	899	665
Net gross profit	52,075	45,420
Selling, general and administrative expenses		
Wages and salaries	16,724	16,838
Welfare expenses	2,524	2,999
Provision for bonuses	4,329	3,976
Employees' severance and retirement benefit expenses	1,820	1,545
Shipping and delivery expenses	3,705	3,697
Rental expenses	1,350	1,271
Depreciation and amortization	2,673	2,621
Provision for doubtful accounts	19	2
Amortization of goodwill	430	15
Other	10,201	10,264
Total selling, general and administrative expenses	43,780	43,234
Operating income	8,294	2,186
Non-operating income		
Interest income	23	14
Dividend income	713	930
Research fee income	1,533	1,661
Real estate rental income	228	238
Equity in earnings of affiliated companies	—	109
Other non-operating income	267	325
Total non-operating income	2,766	3,279
Non-operating expenses		
Interest expenses	191	152
Real estate rental expenses	139	139
Equity in losses of affiliated companies	129	—
Other non-operating expenses	32	24
Total non-operating expenses	492	317
Ordinary income	10,568	5,148
Extraordinary gains		
Gain on sale of fixed assets	—	48
Gain on change in equity	102	—
Reversal of allowance for doubtful accounts	141	—
Other extraordinary gains	0	1
Total extraordinary gains	244	49
Extraordinary losses		
Loss on sale and disposal of fixed assets	29	44
Loss on impairment of fixed assets	765	9
Loss on devaluation of investment securities	187	403
Special retirement benefits	2,470	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	665	—
Other extraordinary losses	10	1
Total extraordinary losses	4,128	460
Income before income taxes and minority interests	6,684	4,738
Current income taxes	8,242	1,779
Deferred income taxes	(4,732)	286
Total income taxes	3,510	2,066
Income before minority interests	3,174	2,671
Minority interests in net income of consolidated subsidiaries	551	798
Net income	2,622	1,873

Quarterly Consolidated Statements of Comprehensive Income
(Consolidated First Quarter Cumulative Period)

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

	Three months ended June 30, 2010	Three months ended June 30, 2011
Income before minority interests	3,174	2,671
Other comprehensive income		
Unrealized gains on securities, net of taxes	(1,845)	648
Gain (loss) on deferred hedges	(3)	(2)
Share in other comprehensive income of equity-method associates	0	(0)
Share in other comprehensive income (loss) of equity-method associates	(1,849)	645
Comprehensive income	1,325	3,317
(Attributable to)		
Shareholders of MEDIPAL HOLDINGS CORPORATION	881	2,460
Minority interests	443	857

(3) Quarterly Consolidated Statements of Cash Flows

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

	Three months ended June 30, 2010	Three months ended June 30, 2011
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	6,684	4,738
Depreciation and amortization	2,822	2,958
Loss on impairment of fixed assets	765	9
Amortization of goodwill	430	15
Increase (decrease) in employees' severance and retirement benefits	249	17
Increase (decrease) in allowance for employees' bonuses	(2,391)	(2,165)
Increase (decrease) in allowance for doubtful accounts	(246)	(118)
Special retirement benefits	2,470	—
Decrease (increase) in notes and accounts receivable – trade	(22,393)	(10,163)
Decrease (increase) in inventories	(13,845)	8,962
Increase (decrease) in notes and accounts payable – trade	57,464	(16,519)
Others	775	3,330
Subtotal	32,786	(8,934)
Interest and dividends received	742	997
Interest expenses paid	(118)	(147)
Special retirement benefits paid	(513)	(722)
Payment for loss on disaster	—	(444)
Income taxes paid	(4,885)	(8,213)
Net cash provided by (used in) operating activities	28,011	(17,466)
Cash flows from investing activities		
Payments for purchase of property and equipment	(1,403)	(5,082)
Proceeds from sale of property and equipment	568	222
Payments for purchase of investment securities	(488)	(94)
Other, net	(60)	341
Net cash used in investing activities	(1,384)	(4,612)
Cash flows from financing activities		
Increase (decrease) in short-term bank loans – net	(2,251)	(132)
Repayment of lease obligation	(423)	(268)
Proceeds from long-term debt	1,500	—
Repayment of long-term debt	(489)	(489)
Proceeds from sale of treasury stock	—	489
Purchase of treasury stock	(0)	(0)
Cash dividends paid to shareholders	(2,111)	(2,111)
Cash dividends paid to minority interests	(352)	(319)
Net cash used in financing activities	(4,127)	(2,832)
Net increase (decrease) in cash and cash equivalents	22,498	(24,911)
Cash and cash equivalents at beginning of period	132,454	148,563
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	836	—
Cash and cash equivalents at end of period	155,790	123,652

(4) Notes Regarding Assumptions of Going Concern

None applicable

(5) Segment Information

Segment Information

I. First Quarter of the Fiscal Year Ended March 31, 2011 (April 1, 2010 – June 30, 2010)

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

	Prescription Pharmaceutica l 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	463,340	181,782	11,187	656,309	—	656,309
Inter-segment sales and transfer	438	150	2	591	(591)	—
Total	463,779	181,932	11,189	656,901	(591)	656,309
Segment income	5,972	2,005	121	8,099	195	8,294

Notes: 1. The segment income adjustment of ¥195 million includes eliminations of inter-segment transactions of ¥627 million and group-wide expenses of ¥431 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. First Quarter of the Fiscal Year Ending March 31, 2012 (April 1, 2011 – June 30, 2011)

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

	Prescription Pharmaceutica l 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	473,996	190,112	10,847	674,956	—	674,956
Inter-segment sales and transfer	400	274	1	676	(676)	—
Total	474,396	190,387	10,849	675,632	(676)	674,956
Segment income (loss)	(927)	2,830	99	2,002	183	2,186

Notes: 1. The segment income (loss) adjustment of ¥183 million includes eliminations of inter-segment transactions of ¥623 million and group-wide expenses of ¥439 million that are not allocated to reportable segments.

2. Segment income (loss) 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

(7) Subsequent Event

Offer of Voluntary Early Retirement

Paltac Corporation, a consolidated subsidiary of the Company, carried out the offer of voluntary early retirement approved at its Board of Directors' meeting on April 28, 2011, and 340 employees applied. The Company estimates that the amount of additional special retirement benefits to be paid in connection with this program will be approximately ¥5.9 billion.

Overview of the Offer of Voluntary Early Retirement

(1) Consolidated subsidiary to which the offering applies:

One company in the cosmetics, daily necessities and OTC pharmaceutical wholesale business

- Paltac Corporation

(2) Target number of applicants:

200

(3) Eligibility:

Employees age 45-58 with at least three years of continuous service as of August 31, 2011.

(4) Period offered:

July 1 – July 15, 2011

(5) Retirement date:

August 31, 2011

(6) Other:

Paltac will pay employees retiring under this program additional special retirement benefits and offer reemployment support including a career counseling service and introductions/recommendations.