

# Summary of Consolidated Financial Results for the Third Quarter of Fiscal 2009



February 4, 2009

Name of Listed Company: Toho Pharmaceutical Co., Ltd. Listed: Tokyo Stock Exchange  
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Scheduled submission date for quarterly report: February 13, 2009

(Amounts are truncated to the nearest million yen.)

## 1. Consolidated Operating Results for the Third Quarter of the Fiscal Year ending March 2009 (from April 1, 2008 to December 31, 2008)

### (1) Consolidated Results of Operations (Cumulative)

(Percentages indicate the rate of change compared with the preceding fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third Quarter of Fiscal 2009	634,294	(-)	5,772	(-)	8,398	(-)	-930	(-)
Third Quarter of Fiscal 2008	614,991	(4.3)	8,424	(7.8)	11,187	(5.7)	6,712	(11.3)

	Current Net Income per Share	Current Net Income per Share - Diluted
	Yen	Yen
Third Quarter of Fiscal 2009	-15.80	—
Third Quarter of Fiscal 2008	118.83	108.66

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
Third Quarter of Fiscal 2009	422,134	82,474	19.5	1,357.67
Fiscal 2008	387,273	80,772	19.9	1,351.96

(Reference) Shareholder's equity: Third Quarter of Fiscal 2009: 82,412 million yen; Fiscal 2008: 77,237 million yen

## 2. Historical Payment of Dividends

	Cash Dividend per Share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2008	—	8.00	—	8.00	16.00
Fiscal 2009	—	10.00	—	—	—
Fiscal 2009 (Projected)	—	—	—	10.00	20.00

(Note) Revision of dividend forecast in the current quarter: None

## 3. Consolidated Projected Results of Operations during Fiscal Year 2009 (from April 1, 2008 to March 31, 2009)

(The figures in percentages indicate changes from the preceding fiscal year for the year-end)

	Net Sales		Operating Income		Ordinary Income		Current Net Income		Current Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year-end	830,000	(3.1)	5,200	(-49.4)	8,600	(-38.1)	110	(-98.7)	1.87

(Note) Revision of consolidated projected results of operations in the current quarter: None

4. Others

- (1) Changes in material subsidiaries during the term (changes in special subsidiaries accompanying a change in the scope of consolidation): N.A.
- (2) Application of simplified accounting process and application of accounting process which is peculiar to the compilation of consolidated quarterly financial statements: Applicable  
(Note) For a detailed description, refer to page four under “4. Others (1)” in “Qualitative Information, Financial Statements and Others.”
- (3) Changes in accounting principles, procedures, presentation methods, etc. concerning the preparation of quarterly consolidated financial statements (to be stated in changes based on the quarterly consolidated financial statements presented)
- (i) Changes due to revision of accounting standards, etc.: Applicable
- (ii) Changes other than (i): Applicable  
(Note) For a detailed description, refer to page five under “4. Others (2)” in “Qualitative Information, Financial Statements and Others.”
- (4) Number of shares outstanding (Common stock)
- |   |                               |                   |
|---|-------------------------------|-------------------|
| (i) Number of shares outstanding at end of fiscal year      | Third Quarter of Fiscal 2009: | 60,766,622 shares |
| (Including common stock for treasury)                       | Fiscal 2008:                  | 59,219,061 shares |
| (ii) Number of treasury stocks at end of fiscal year        | Third Quarter of Fiscal 2009: | 65,412 shares     |
|   | Fiscal 2008:                  | 2,089,059 shares  |
| (iii) The average number of shares during the first quarter | Third Quarter of Fiscal 2009: | 58,892,914 shares |
|   | Third Quarter of Fiscal 2008: | 56,484,582 shares |

\* Explanation of Appropriate Use of Performance Projections and Other Items Requiring Special Description

- Beginning in the consolidated fiscal year under review, the Accounting Standards for Quarterly Financial Reporting, ASBJ Statement No. 12, and the Guidelines for Application of Accounting Standards for Quarterly Financial Reporting, ASBJ Guidelines for Application of Accounting Standards No. 14, are being applied. In addition, the Company has complied with the Regulations for Quarterly Financial Statements in compiling consolidated quarterly financial statements.
- The above forecast figures are based on the information available to the management at the present moment, and therefore actual business results may differ from the above forecast figures due to a variety of factors that may occur in the near future.

For further information concerning the above projections, please refer to page 4, under the section [Qualitative Information, Financial Statements and Related Items] 3. Qualitative Information on Projected Consolidated Results of Operations.

## [Qualitative Information, Financial Statements and Related Items]

### 1. Qualitative Information on Consolidated Results of Operations

During the nine months that ended December 2008, the Japanese economy showed increasing signs of an economic downturn, including sharp production cutbacks mainly in the manufacturing industry, curtailed capital investment, and the contraction of employment, hit by the global financial crisis stemmed from the subprime mortgage crisis in the US financial markets, and the prospects for the Japanese economy thus became more and more uncertain.

Each industry has been successively announcing significant declines in both sales and earnings and deficits for the current fiscal year against initial projections at the start of the fiscal year. The overall market of the pharmaceutical industry is estimated to have grown moderately (growth by 2.0% from the same period (April-December, 2008) of the preceding year, according to a preliminary report released by Crecon Research & Consulting), assisted by the progressive aging of the Japanese population and the expanded market for pharmaceuticals for lifestyle-related diseases, despite the implementation of the revision of the National Health Insurance drug prices (a price cut by an average of 5.2%) and the revision of the medical fee scheme in April 2008.

Meanwhile, the overall pharmaceutical wholesale industry was committed to improving its distribution systems in order to correct the issues of provisional shipping with the pricing yet to be negotiated, total value transactions, and differentiated pricing, in response to the emergency proposal of the Council for Improvement in Pharmaceutical Product Distribution and, as a result, achieved a certain level of results. However, on the other hand, severe price competition arose among pharmaceutical wholesalers, creating a harsh business situation whereby each pharmaceutical wholesale company was unable to ensure its projected profit ratio.

Under this business environment, and in the third year of its medium-term management plan, "The Third Founding-Innovation and Creation 07-09," the Toho Pharmaceutical Group continued to prioritize its key policies of normalizing and streamlining operations, seeking higher added value and reinvigorating its organization and human resources. The Company boldly promoted proposal-based marketing that is centered on price negotiations to achieve fair profits and its unique customer support systems. As a result of these initiatives, the Company believes that it has achieved some positive results in normalizing operations, in particular in terms of correcting the issues of provisional shipping with the pricing yet to be negotiated and total value transactions. In terms of adding higher value to its operations, the Company has established and expanded its fee business model in which the Company collects usage fees in exchange for its services. However, pressures to cut prices from large medical institutions and the severe price competition among pharmaceutical wholesalers continued and the Company's businesses were hit by the movements above and this caused the profit ratio to decline.

The consolidated net sales for the cumulative nine-month period for the third quarter were 634,294 million yen, an increase by 3.1% on a year-on-year basis. The consolidated operating income was 5,772 million yen, a decrease by 31.5% on a year-on-year basis and ordinary income was 8,398 million yen, a decrease by 24.9% on a year-on-year basis. As a consequence, the consolidated net income for the nine-month period was a loss of 930 million yen, due partly to Fuji Biomedix-related extraordinary losses posted in the second quarter of the current fiscal year.

The outline of the operating results by business segment is as follows. In pharmaceutical wholesaling operations, net sales amounted to 625,252 million yen, up by 2.9% on a year-on-year basis, sustaining a growth rate exceeding the market average, and operating income was 5,778 million yen, down by 31.9% on a year-on-year basis, for the cumulative nine-month period for the third quarter of the fiscal year ending March 2009 (consolidated). This amount of net sales includes intersegment sales of 7,705 million yen. In dispensing pharmacy operations, consolidated net sales for the third quarter (cumulative) amounted to 16,419 million yen, up by 47.6% on a year-on-year basis, and operating income reached 928 million yen, up by 42.9% on a year-on-year basis. In CRO and SMO operations, net sales for nine months of the current fiscal year amounted to 328 million yen, down by 32.2% on a year-on-year basis, and operating income showed a deficit of 285 million yen.

(Note) The percentage change over the same period last year is just for reference.

### 2. Qualitative Information on Consolidated Financial Position

#### (Assets)

The consolidated current assets as of the end of December 2008 increased 11.5% from the end of the preceding consolidated fiscal year to 327,291 million yen, due to an increase in cash on hand and deposits of 1,330 million yen, an increase in notes and accounts receivable of 22,674 million yen, an increase in products of 6,701 million yen, an increase in purchasing rebate receivables of 1,652 million yen, and an increase in short-term loans receivable of 2,061 million yen, despite an increase in the allowance for doubtful receivables of 1,371 million yen (a factor for a decrease in the current assets).

Fixed assets as of the end of December 2008 increased 1.1% from the end of the previous year to 94,842 million yen, due primarily to an increase in goodwill and other investments by 2,386 million yen and 3,014 million yen respectively, despite a decrease in investment securities by 2,777 million yen and an increase in the long-term allowance for doubtful accounts of 1,435 million yen.

As a result, consolidated total assets as of the end of December 2008 increased 9.0% from the end of the previous consolidated fiscal year to 422,134 million yen.

#### (Liabilities)

Consolidated current liabilities as of the end of December 2008 increased 15.2% against the end of the preceding consolidated fiscal year to 320,251 million yen, which is attributable to the increase in notes and accounts payable and bonds redeemable within one year by 38,141 million yen and 9,510 million yen, respectively, despite the decrease in short-term loans payable, taxes payable and the reserve for bonuses by 1,384 million yen, 2,910 million yen, and 1,217 million yen, respectively.

Long-term liabilities decreased 32.1% against the end of the previous fiscal year to 19,408 million yen, due partly to a decrease in bonds by 9,500 million yen.

As a result, total liabilities rose by 10.8% from the end of the preceding fiscal year to 339,659 million yen.

#### (Net assets)

Total net assets as of the end of December 2008 increased 2.1% from the end of March 2008 to 82,474 million yen, due primarily to an increase in the capital surplus by 3,885 million yen and a decrease in treasury stock by 3,397 million yen, despite decreases in retained earnings and minority interests by 2,154 million yen and 3,480 million yen, respectively.

### 3. Qualitative Information on Projected Consolidated Results of Operations

The Company has maintained its business policy of securing fair profits so far. However, particularly in the third quarter of the fiscal year ending March 2009, markdown pressures from medical institutions, primarily those from large hospitals, resulting from the worsened business environment, including a curb on the number of medical examinations by patients due to the sluggish economy, showed no sign of touching bottom. Furthermore, severe price competition among pharmaceutical wholesalers has continued and the pricing environment has deteriorated beyond the Company's projections. As a result, the Company's accumulated income for the third quarter came below its previous forecast for each item.

Taking into consideration the continuing worsening of the business environment, the Company has revised its full-year earnings forecasts for the fiscal year ending March 2009. For further details, please refer to the Notice regarding the Revision of the Full-year Earnings Forecasts for the Fiscal Year ending March 2009 disclosed on February 4, 2009.

In order to be selected by customers, Toho Pharmaceutical Group intends to focus on creating wholesale functions and high added value and promoting proposal-based marketing from the customer's perspective. At the same time, the Group will make efforts to promote a reduction in administrative costs through improvements in productivity and to expand the fee business model.

### 4. Others

(1) Application of simplified accounting process and application of accounting process which is peculiar to the compilation of consolidated quarterly financial statements

(i) Simplified accounting processing methods

- Method of calculation of estimated doubtful debts in general credits

The loan loss ratio and other items at the end of the consolidated third quarter under review are deemed not to have changed significantly from the end of the previous consolidated fiscal year. For this reason, the loan loss ratio, etc. as of the end of the previous consolidated fiscal year are used to calculate the loan loss ratio for the first quarter under review.

- Method of evaluating inventory assets

With respect to the calculation of ending inventory for the consolidated third quarter under review, on-site inventory is skipped. Instead, a reasonable method based on the ending on-site inventory for the consolidated second quarter is used to calculate inventory.

In addition, with respect to the devaluation of book value for inventory assets, we used the method to devalue book value by estimating fair selling prices for items the profitability of which has apparently declined.

- Method of calculation of deferred and accrued account items

We use the method to post deferred and accrued account items by estimated amounts based on reasonable calculation methods.

- Methods of calculation of corporate and other taxes, deferred tax assets, and deferred tax liabilities

With respect to the calculation of tax payment amounts, such as corporate tax, the method to limit addition/subtraction items and tax deduction to important ones is used.

With the collectibility of deferred tax assets, the Company evaluates the collectability based on business forecasts and tax planning used in the preceding consolidated fiscal year, if there have been no material changes in its business environment and temporary differences from the planning recognized from the end of the previous fiscal year. If any significant changes in the Company's business environment or temporary differences from the planning are recognized, the Company evaluates the collectability based on revised business forecasts and tax planning reflecting the relevant significant changes.

- Netting of credits, liabilities, and transactions between the Company and its consolidated subsidiaries (Netting of credits and liabilities between the Company and its consolidated subsidiaries)

If the amount of credits and liabilities differ, the credits and liabilities are netted within a reasonable range without adjusting the differences.

(Netting of transactions between the Company and its consolidated subsidiaries)

If transaction amounts differ, but the significance of the differences is small, the transactions are netted by adjusting to the amount of transaction at Toho Pharmaceutical Co., Ltd.

- Erasure of unrealized gains and losses

The amount of inventory assets in the amount of ending inventory in the third quarter of fiscal 2009 and the profit/loss ratio concerning the transactions are calculated in reasonable estimation.

(ii) Accounting processing particular to compilation of consolidated quarterly financial statements

Not applicable.

(2) Changes in accounting principles, procedures, presentation methods, etc. concerning the preparation of quarterly consolidated financial statements

(i) Beginning in the first consolidated quarter under review, the Accounting Standards for Quarterly Financial Reporting, ASBJ Statement No. 12 dated March 14, 2007, and the Guidelines for Application of Accounting Standards for Quarterly Financial Reporting, ASBJ Guidelines for Application of Accounting Standards No. 14 dated March 14, 2007, are being applied. In addition, the Company has complied with the Regulations for Quarterly Financial Statements in compiling consolidated quarterly financial statements.

(ii) Beginning in the first consolidated quarter under review, the Accounting Standards for Measurement of Inventories, ASBJ Statement No. 9 dated July 5, 2006, is applied. Accordingly, the measurement standard was changed from the conventional cost method to the cost method of devaluing book value upon decline of profitability.

As a consequence, gross income, operating income and ordinary income decreased by 66 million yen, respectively, and net loss before income taxes increased by 66 million yen, compared with those based on the conventional method.

The effects of the changes on segment data are discussed in relevant sections.

(iii) Beginning in the first consolidated quarter under review, the Accounting Standards for Lease Transactions, ASBJ Statement No. 13 dated June 17, 1993, with the final revision on March 30, 2007, as well as the Guidelines for Application of the Accounting Standards for Lease Transactions, ASBJ Guidelines No. 16 dated January 18, 1994, with the final revision on March 30, 2007, are applied promptly. With respect to financing lease transactions outside ownership transfer, accounting processing was changed from the method concerning conventional lease and rental transactions to the method concerning conventional selling and buying transactions, and are posted as leased assets.

In addition, depreciation for leased assets uses the method of assuming the lease period as the expected lifetime, and calculating depreciation by setting the residual value as zero.

With respect to financing lease transactions outside ownership transfer with the lease start date before the first year of the application of the new method, the accounting method concerning conventional lease and rental transactions continues to be employed.

As a result, leased assets of 324 million yen were posted in tangible fixed assets compared with the conventional method, which does not have any effect on income.

The effects of the changes on segment data are discussed in relevant sections.

## 5. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets of the Third Quarter

(Million of yen)

	End of consolidated third quarter (December 31, 2008)	Summarized consolidated balance sheet for the end of the previous consolidated fiscal year (March 31, 2008)
<b>Assets</b>		
<b>Current assets</b>		
Cash on hand and on deposit	18,073	16,742
Notes and accounts receivable	228,030	205,355
Marketable securities	500	498
Products	53,161	46,460
Other	29,283	24,752
Allowance for doubtful receivables	-1,757	-385
<b>Total current assets</b>	<b>327,291</b>	<b>293,424</b>
<b>Fixed assets</b>		
Property, plant and equipment	45,747	45,545
<b>Intangible fixed assets</b>		
Goodwill	8,758	6,371
Other	2,229	2,640
<b>Total intangible fixed assets</b>	<b>10,987</b>	<b>9,011</b>
<b>Investments and other assets</b>		
Other	40,463	40,211
Allowance for doubtful receivables	-2,355	-920
<b>Total Investments and other assets</b>	<b>38,107</b>	<b>39,291</b>
<b>Total fixed assets</b>	<b>94,842</b>	<b>93,849</b>
<b>Total assets</b>	<b>422,134</b>	<b>387,273</b>

(Million of yen)

	End of consolidated third quarter (December 31, 2008)	Summarized consolidated balance sheet for the end of the previous consolidated fiscal year (March 31, 2008)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	297,859	259,717
Short-term loans payable	5,111	6,495
Bonds redeemable within one year	9,510	—
Income taxes payable	93	3,003
Accrued bonuses	1,288	2,506
Directors' bonuses	57	75
Reserve for sales returns	353	319
Other	5,977	5,780
Total current liabilities	320,251	277,898
Long-term liabilities		
Bonds payable	400	9,900
Long-term debt	331	535
Accrued retirement benefits for employees	2,180	2,095
Negative goodwill	3,255	2,839
Other	13,240	13,232
Total long-term liabilities	19,408	28,601
Total liabilities	339,659	306,500
<b>Net assets</b>		
Shareholders' equity		
Common stock	10,649	10,599
Capital surplus	28,067	24,181
Retained earnings	46,674	48,829
Treasury stock	-38	-3,436
Total shareholders' equity	85,353	80,175
Unrealized gains on revaluation		
Unrealized gains on available-for-sale securities	1,631	1,699
Unrealized gains on revaluation of land	-4,572	-4,637
Total unrealized gains on revaluation	-2,941	-2,937
Equity warrants	62	54
Minority interests	—	3,480
Total net assets	82,474	80,772
Total liabilities and net assets	422,134	387,273

(2) Consolidated Profit and Loss Statement of Third Quarter  
 [Third Quarter (Nine Months ended December 31, 2008)]

(Million of yen)

	Consolidated cumulative period of the current third quarter (from April 1, 2008 to December 31, 2008)
Net sales	634,294
Cost of sales	583,964
Gross income	50,329
Selling, general and administrative expenses	
Provision for allowances for directors' bonuses and salaries	23,496
Provision for accrued bonuses	1,255
Provision for directors' bonuses	56
Provision for accrued retirement benefits for employees	130
Welfare expenses	3,498
Vehicle expenses	1,024
Depreciation and amortization	1,578
Amortization expenses for goodwill	979
Rent	3,506
Taxes and dues	583
Other	8,445
Total selling, general and administrative expenses	44,557
Operating income	5,772
Non-operating income	
Interest income	108
Dividend income	412
Received commission	1,427
Amortization expenses for negative goodwill	864
Equity in earnings of investees	6
Other	617
Total non-operating income	3,437
Non-operating expenses	
Interest expenses	96
Loss before deduction of temporary consumption tax payment	615
Other	98
Total non-operating expenses	811
Ordinary income	8,398

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Consolidated cumulative period of  
the current third quarter  
(from April 1, 2008 to December 31,  
2008)

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Extraordinary gains	
Gains on sales of fixed assets	0
Gains on sales of investment securities	211
Gains on revision of retirement benefits system	220
Other	34
Total extraordinary gains	<u>467</u>
Extraordinary losses	
Loss on disposal of fixed assets	48
Impairment loss	145
Loss on revaluation of affiliates stocks clearance	4,586
Provision of allowance for doubtful accounts	2,952
Other	168
Total extraordinary losses	<u>8,900</u>
Income before income taxes	<u>-34</u>
Corporate, inhabitant and enterprise taxes	898
Adjustments for income taxes	-46
Total income before income taxes	<u>851</u>
Minority interests	<u>43</u>
Current net income	<u>-930</u>

## (3) Consolidated Statements of Cash Flows

(Million of yen)

	Consolidated cumulative period of the current third quarter (from April 1, 2008 to December 31, 2008)
<b>Cash flows from operating activities</b>	
Income before income taxes	-34
Depreciation	1,578
Loss on impairment	145
Amortization expenses for goodwill	979
Amortization expenses for negative goodwill	-864
Increase (decrease) in accrued employees' retirement benefits	-76
Increase (decrease) in reserve for sales returns	32
Increase (decrease) in accrued bonuses	-1,250
Increase (decrease) in accrued directors' bonuses	-21
Increase (decrease) in allowance for doubtful receivables	2,803
Interest and dividend income	-520
Interest expense	96
Loss (profit) on sale excluding fixed assets	48
Loss (profit) on sale and assessment of investment securities	-139
Loss on revaluation of affiliates stocks clearance	5,586
Loss on revaluation of golf club memberships	6
Decrease (increase) in trade receivables	-23,111
Decrease (increase) in inventories	-6,038
Decrease (increase) in other assets	-2,117
Increase (decrease) in trade payables	38,876
Increase (decrease) in other liabilities	931
Increase (decrease) in accrued consumption taxes	-964
Other loss (profit)	-1,385
Subtotal	<u>14,558</u>
Interest and dividend income	514
Interest payment	-91
Payment of income taxes	-4,109
Other	-670
Net cash provided by operating activities	<u>10,200</u>

	(Million of yen)
	Consolidated cumulative period of the current third quarter (from April 1, 2008 to December 31, 2008)
Cash flows from investing activities	
Payment for addition to time deposits	-193
Proceeds from refunds of time deposits	805
Payment for acquisition of property, plant and equipment	-921
Proceeds from sale of property, plant and equipment	205
Payment for acquisition of intangible fixed assets	-157
Proceeds from sale of intangible fixed assets	4
Payment for acquisition of investment securities	-783
Proceeds from sale of investment securities	458
Payment for acquisition of stocks in affiliates	-1,967
Payment for extension of loans	-3,713
Proceeds from collection of loans	425
Other	-162
Net cash used in investing activities	<u>-5,999</u>
Cash flows from financing activities	
Net increase (decrease) in short-term loans payable	-1,392
Payment for repayment of long-term debt	-409
Payment for acquisition of own stock	-5
Payment for satisfaction of finance lease liabilities	-417
Payment of cash dividends	-1,041
Payment of cash dividends to minority shareholders	-6
Net cash used in financing activities	<u>-3,273</u>
Increase (decrease) in cash and cash equivalents	<u>927</u>
Cash and cash equivalents at beginning of year	<u>15,851</u>
Increase in cash and cash equivalents resulting from merger	30
Amount of increase (decrease) in cash and cash equivalents due to change in the scope of consolidation	610
Cash and cash equivalents at the end of first quarter	<u>17,420</u>

Beginning in the first consolidated quarter under review, the Accounting Standards for Quarterly Financial Reporting, ASBJ Statement No. 12, and the Guidelines for Application of Accounting Standards for Quarterly Financial Reporting, ASBJ Guidelines for Application of Accounting Standards No. 14, are being applied. In addition, the Company has complied with the Regulations for Quarterly Financial Statements in compiling consolidated quarterly financial statements.

(4) Notes concerning premise of a going business

This is not applicable.

(5) Segmental Information

[Segmental Information according to Types of Business]

Consolidated cumulative period of the current third quarter (from April 1, 2008 to December 31, 2008)

	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	CRO and SMO (million yen)	Total (million yen)	Eliminations or corporate (million yen)	Consolidated (million yen)
Net Sales						
(1) Net sales to external customers	617,546	16,419	328	634,294	—	634,294
(2) Inter-segment internal net sales or transfers	7,705	—	—	7,705	(7,705)	—
Total	625,252	16,419	328	642,000	(7,705)	634,294
Operating income	5,778	928	-285	6,421	(648)	5,772

(Notes) 1. Business operations are segmented according to the types of products sold and services provided.

2. Major operations of each business segment:

- (1) Pharmaceutical Wholesaling... Sales of pharmaceuticals, narcotics, reagents, etc., and sales of medical devices,
- (2) Dispensing Pharmacy..... National Health Insurance pharmacies, home medical care services, and sales of pharmaceuticals
- (3) CRO and SMO..... SMO and CRO services

3. Changes in accounting policy

- (1) As stated in 4. Others (3) Changes in accounting principles, procedures, presentation methods, etc. concerning the preparation of quarterly consolidated financial statements, the Accounting Standards for Measurement of Inventories, ASBJ Statement No. 9 dated July 5, 2006, is applied. As a result, operating income of the pharmaceutical wholesaling business decreased 66 million yen during the cumulative period for consolidated third quarter under review.
- (2) As stated in 4. Others (3) Changes in accounting principles, procedures, presentation methods, etc. concerning the preparation of quarterly consolidated financial statements, the Accounting Standards for Lease Transactions, ASBJ Statement No. 13 dated June 17, 1993, with the final revision on March 30, 2007, as well as the Guidelines for the Application of the Accounting Standards for Lease Transactions, ASBJ Guidelines No. 16 dated January 18, 1994, with final revision on March 30, 2007, are applied promptly. However, the effects of this change on profits and losses are minimal.

[Segmental Information according to Geographical Locations]

Consolidated cumulative period of the current third quarter (from April 1, 2008 to December 31, 2008)

This disclosure is not applicable, because all the Group's consolidated company are located in Japan.

[Overseas Sales]

Consolidated cumulative period of the current third quarter (from April 1, 2008 to December 31, 2008)

This disclosure is not applicable, because the Group generates no sales outside Japan.

(6) Notes on significant changes in the amount of equity

Consolidated cumulative period of the current third quarter (from April 1, 2008 to December 31, 2008)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of end of fiscal 2008 (million yen)	10,599	24,181	48,829	-3,436	80,175
Change in items during the term					
Increase due to exercised warrant bonds	50	49			100
Surplus distributed to shareholders			-1,041		-1,041
Net income			-930		-930
Own company stock reacquired				-5	-5
Change due to stock swap		3,835		3,404	7,240
Acquisition with new consolidation				-2	-2
Decrease due to a merger of consolidated companies			-118		-118
Transfer from land revaluation excess			-65		-65
Total change during the term (million yen)	50	3,885	-2,154	3,397	5,177
Balance at the end of the third quarter (million yen)	10,649	28,067	46,674	-38	85,353

[Reference]

Financial Statements and Other Information Concerning the Previous Consolidated Third Quarter  
(Summary) Consolidated Earnings Statement for the Previous Quarter

(Million of yen)

	Consolidated cumulative period of the previous third quarter (from April 1, 2007 to December 31, 2007)
I Net sales	614,991
II Cost of sales	565,101
Gross income	49,890
Reversal of reserve for sales returns	2
Gross profit after reserve for sales returns	49,887
III Selling, general and administrative expenses	41,462
Operating income	8,424
IV Non-operating income	
1. Interest income	101
2. Dividend income	322
3. Information service income	1,358
4. Amortization expenses for negative goodwill	932
5. Equity in earnings of investees	50
6. Miscellaneous income	576
Total non-operating income	3,341
V Non-operating expenses	
1. Interest expenses	76
2. Loss before deduction of temporary consumption tax payment	396
3. Miscellaneous losses	105
Total non-operating expenses	578
Ordinary income	11,187
VI Extraordinary gains	
1. Gains on sales of fixed assets	255
2. Gains on sales of investment securities	15
3. Reversal of allowance for doubtful receivables	259
4. Others	39
Total extraordinary gains	569
VII Extraordinary losses	
1. Loss on disposal of fixed assets	204
2. Loss on revaluation of investment securities	3
3. Loss on sale of golf club memberships	2
4. Directors' retirement benefits	35
5. Impairment loss	225
6. Others	4
Total extraordinary losses	476
Income before income taxes	11,281
Corporate and other taxes	4,112
Minority interests	457
Current net income	6,712

## Cash Flow Statement for the Previous Consolidated Third Quarter

(Million of yen)

	Consolidated cumulative period of the previous third quarter (from April 1, 2007 to December 31, 2007)
<b>I Cash flows from operating activities</b>	
Income before income taxes	11,281
Depreciation	1,534
減損損失	225
Amortization expenses for goodwill	652
Amortization expenses for negative goodwill	-932
Equity in earnings of investees	-50
Increase (decrease) in accrued employees' retirement benefits	-970
Increase in reserve for sales returns	2
Decrease in accrued bonuses	-1,213
Increase (decrease) in accrued directors' bonuses	-36
Increase (decrease) in allowance for doubtful receivables	-61
Decrease (increase) in trade receivables	31,625
Decrease (increase) in inventories	-6,270
Decrease (increase) in purchase rebates receivable	-2,853
Increase in other assets	1,040
Increase (decrease) in trade payables	26,229
Increase (decrease) in other liabilities	205
Decrease in accrued consumption taxes	-789
Other	-1,734
Subtotal	-7,447
Payment of income taxes	-5,230
Other	1,550
Net cash provided by operating activities	-11,127
<b>II Cash flows from investing activities</b>	
Payment for addition to time deposits	-172
Proceeds from refunds of time deposits	191
Payment for acquisition of property, plant and equipment	-1,692
Payments for disposal of property, plant and equipment	-98
Proceeds from sale of property, plant and equipment	772
Payment for acquisition of goodwill	-120
Payment for acquisition of software	-74
Payment for acquisition of investment securities	-1,772
Proceeds from sale of investment securities	27
Payment for the acquisition of a subsidiary accompanying a change in the scope of consolidation	-1,524
Payment for acquisition of stocks in subsidiaries	-48
Proceeds from sale of investment in subsidiaries	5
Payments for purchases of investment in affiliate company	-3,428
Payment for acquisition of other investments	-102
Proceeds from sale of other investments	155
Disbursements for loans	-150
Proceeds from collections of loans	233
Other	-53
Net cash used in investing activities	-7,851
<b>III Cash flows from financing activities</b>	
Net increase (decrease) in short-term loans payable	842
Proceeds from long-term debt	100
Payment for repayment of long-term debt	-553
Payment for acquisition of own stock	-1,898
Payment for satisfaction of finance lease liabilities	-484
Payment of cash dividends	-789
Payment of cash dividends to minority shareholders	-12
Net cash used by financing activities	-2,797
<b>IV Increase (decrease) in cash and cash equivalents</b>	-21,776
<b>V Cash and cash equivalents at beginning of year</b>	43,429
<b>VI Increase in cash and cash equivalents resulting from merger</b>	—
<b>VII Increase in cash and cash equivalents resulting from stock swap</b>	—
<b>VIII Cash and cash equivalents at the end of third quarter</b>	21,653

## Segmental Information

### Segmental Information according to Types of Business

Consolidated cumulative period of the previous third quarter (from April 1, 2007 to December 31, 2007)

	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	Information Processing (million yen)	CRO and SMO (million yen)	Total (million yen)	Eliminations or corporate (million yen)	Consolidated (million yen)
Net Sales							
(1) Net sales to external customers	603,356	11,121	28	485	614,991	—	614,991
(2) Inter-segment internal net sales or transfers	4,098	—	625	—	4,724	(4,724)	—
Total	607,455	11,121	654	485	619,716	(4,724)	614,991
Operating expense	599,046	10,471	606	620	610,745	(4,178)	606,567
Operating income	8,408	649	47	-135	8,970	(546)	8,424

### Segmental Information according to Geographical Locations

Consolidated cumulative period of the previous third quarter (from April 1, 2007 to December 31, 2007)

This disclosure is not applicable, because all the Group's consolidated subsidiaries are located in Japan.

### Overseas Sales

Consolidated cumulative period of the previous third quarter (from April 1, 2007 to December 31, 2007)

This disclosure is not applicable, because the Group generates no sales outside Japan.