

Summary of Consolidated Financial Results for the First Half of Fiscal Year Ending March 2009



November 6, 2008

Name of Listed Company: Toho Pharmaceutical Co., Ltd. Listed: Tokyo Stock Exchange
 Securities Code Number: 8129 URL: <http://www.tohoyk.co.jp>
 Corporate Representative / Title: Norio Hamada / President and CEO
 Contact Representative / Title: Toru Sasaki / Corporate Officer and General Manager of Finance and Accounting
 TEL: +81-3-4330-3735

Scheduled submission date for quarterly report: Nov 14, 2008 Planned Date of Dividends Payment: Dec 8, 2008

(Amounts are truncated to the nearest million yen.)

1. Consolidated Financial Results for the First Half of the Fiscal Year Ending March 2009 (from Apr 1, 2008 to Sep 30, 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	%
First Half of Fiscal 2009	409,429	—	4,370	—	6,110	—	-2,896	—
First Half of Fiscal 2008	391,050	3.6	4,669	-1.1	6,624	1.1	3,936	4.7

	Current Net Income per Share	Current Net Income per Share - Diluted
	Yen	Yen
First Half of Fiscal 2009	-49.80	-45.68
First Half of Fiscal 2008	69.37	63.46

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
First Half of Fiscal 2009	385,702	81,017	20.1	1,326.60
Fiscal 2008	387,273	80,772	19.9	1,351.96

(Reference) Shareholder's equity:

As of September 30, 2008 : 77,441 million yen ; As of March 30, 2008 : 77,237 million yen

2. Historical Payment of Dividends

	Annual 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	—	—	20.00
Fiscal 2009 (Projected)	—	—	—	10.00	

(Note) 1. Revision of dividend forecast in the current quarter: None

2. Breakdown of cash dividends for the first half of the fiscal year ending March 2009 commemorative dividend 2 yen

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

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

	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	840,000	4.3	9,400	-8.5	13,000	-6.5	2,300	-72.6	38.69

(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 (Including common stock for treasury) | As of September 30, 2008: | 59,274,157 shares |
| | As of March 31, 2008: | 59,219,061 shares |
| (ii) Number of treasury stocks at end of fiscal year | As of September 30, 2008: | 898,672 shares |
| | As of March 31, 2008: | 2,089,059 shares |
| (iii) The average number of shares during the first half of the fiscal year | First Half of Fiscal 2009: | 58,172,078 shares |
| | First Half of Fiscal 2008: | 56,746,615 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.
- The forecasted current net income per share has been revised with the inclusion of 890,036 shares (newly issued stocks: 40,036 shares, treasury stocks: 850,000 shares) due to be allocated through a stock swap with Ogawa Toho Co., Ltd. and 323,901 shares (newly issued stocks) due to be allocated through a stock swap with Yamaguchi Toho Co., Ltd. on October 1, 2008, and 318,060 shares (newly issued stocks) due to be allocated through a stock swap with Sue Pharmaceutical Co., Ltd. and 810,468 shares (newly issued stocks) due to be allocated through a stock swap with ETHOS Inc. on November 1, 2008.

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 first half of the fiscal year (consolidated) under review, the Japanese economy went from a standstill to a recessionary phase in the aftermath of the global financial turmoil and uncertainty in stock markets stemming from the subprime loan problem in the U.S. monetary markets, price inflation and a slump in personal consumption because of soaring crude oil and grain prices among other factors.

According to the preliminary figures released by Crecon Research & Consulting, the pharmaceutical industry as a whole is estimated to have grown slightly (an increase of 3.7% year-on-year for the April to September 2008 period), given the progress of the “graying” of Japanese society and the expansion of the market of drugs for lifestyle diseases. This is despite the April 2008 revision of National Health Insurance drug prices, which cut drug prices by an average of 5.2%, and the April 2008 revision of the medical fee scheme.

Meanwhile, the overall pharmaceutical wholesale industry is committed to improving its distribution systems in order to correct the issues of provisional shipping with the pricing yet to be negotiated, total value transaction, and differentiated pricing, in response to the emergency proposal of the Council for Improvement in Pharmaceutical Product Distribution. The industry is being asked to produce tangible results.

In this environment, and in the third year of its medium-term management plan, “The Third Founding-Innovation and Creation 07–09”, the Group continued to prioritize its key policies of normalizing and streamlining operations. We also sought to add greater value to operations, and to reinvigorate our organization and human resources. We adopted proposal-based marketing that centers around price negotiations to achieve appropriate profits, and our unique customer support systems. As a result of the above initiatives, we believe that we have achieved some positive results in normalizing operations, in particular in terms of correcting the issues of non-settlement, temporary delivery and total value transaction. In terms of adding greater value to operations, we established and expanded our fee business model in which we collect usage fees in exchange for our services. For the growing dispensing pharmacy industry, we founded the “Kyoso Mirai Group in Pharmacy Workshop” to help dispensing pharmacies solve their business challenges by utilizing our managerial resources and launched new efforts toward the strengthening of business relationships.

Furthermore, the Group decided to make a consolidated subsidiary of ETHOS Inc., a wholly owned subsidiary, as of November 1, 2008 in order to move flexibly toward the expansion of dispensing pharmacy operations.

As a consequence, we posted net sales of 409,429 million yen; operating income of 4,370 million yen, ordinary income of 6,110 million yen and net income of -2,896 million yen during the cumulative period for the first half of the fiscal year (consolidated).

The outline for segmental results according to type of business is as follows. In pharmaceutical wholesaling operations, net sales amounted to 403,000 million yen (up 4.3% year-on-year), sustaining growth at a rate that exceeds the market average, and operating income was 4,649 million yen during the cumulative period for the first half of the fiscal year (consolidated). This amount of net sales includes intersegment sales of 3,961 million yen. In dispensing pharmacy operations, net sales amounted to 10,185 million yen and operating income reached 437 million yen during the cumulative period for the first half of the fiscal year (consolidated). In CRO and SMO operations, net sales amounted to 205 million yen and operating profit amounted to -218 million yen during the cumulative period for the first half of the fiscal year (consolidated).

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

2. Qualitative Information on Consolidated Financial Position

(Assets)

Current assets dropped 0.4% from the end of the previous consolidated fiscal year to 292,338 million yen, with decreases in cash on hand and deposit of 905 million yen and in products of 1,075 million yen, increases in notes and accounts receivable, deferred tax assets, and short-term loans receivable of 450 million yen, 978 million yen and 1,178 million yen respectively, and an increase in allowance for doubtful accounts of 1,756 million yen.

Fixed assets dropped 0.5% from the end of the previous consolidated fiscal year to 93,363 million yen, with a decrease in affiliates stocks of 4,352 million yen and increases in goodwill, investment securities, and other investments, etc. of 1,587 million yen, 1,934 million yen and 371 million yen respectively.

As a consequence, total assets dropped 0.4% from the end of the previous consolidated fiscal year to 385,702 million yen.

(Liabilities)

Current liabilities decreased 0.9% from the end of the previous consolidated fiscal year to 275,346 million yen, with decreases in short-term loans payable and income taxes payable of 1,398 million yen and 1,620 million yen respectively, and an increase in notes and accounts payables of 514 million yen.

Long-term liabilities rose 2.6% from the end of the previous consolidated fiscal year to 29,338 million yen, principally because of an increase in provision for loss on guarantees of 1,000 million yen and a decrease in negative goodwill of 535 million yen.

As a result, total liabilities decreased 0.6% from the end of the previous consolidated fiscal year to 304,685 million yen.

(Net assets)

Total net assets were up 0.3% from the end of the previous consolidated fiscal year to 81,017 million yen, with increases in capital surplus and unrealized gains on available-for-sale securities of 976 million yen and 553 million yen respectively and decreases in treasury stock and in regained earnings of 1,982 million yen and 3,358 million yen respectively.

3. Qualitative Information on Projected Consolidated Results of Operations

The results of the first half of the fiscal year (consolidated) under review fell short of the initial plan. With respect to the business forecast for fiscal 2009, we expect to post net sales of 840 billion yen (up 4.3% year-on-year), operating income of 9.4 billion yen (down 8.5% year-on-year), ordinary income of 13 billion yen (down 6.5% year-on-year) and net income of 2.3 billion yen (down 72.6% year-on-year) as was announced on October 29, 2008.

We have included the effects of the increase of new consolidated companies, but in view of the price trends until the first half, each income for the full fiscal year is estimated to fall short of the initial business forecasts. Current net income is expected to decrease by 6.2 billion yen from the initial forecast because of extraordinary losses in the second quarter.

The Group intends to create wholesale functions and added value in order to be selected by customers and to promote proposal-based marketing from a customer's perspective. At the same time, we will promote reduction of management costs by improved productivity and make negotiation efforts toward the improvement of negative primary margin through continued efforts in distribution improvement.

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 first half of the fiscal year (consolidated) 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 half of fiscal year under review.

- Method of evaluating inventory assets

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 payable amounts, such as corporate tax, the method that limits addition/subtraction items and tax deduction to important ones is used.

Concerning the probability of deferred tax assets collection, the method of relying on business forecasts announced in the previous consolidated fiscal year and tax planning is used if it is deemed that there have been no significant changes in the management environment and no temporary differences since the end of the previous consolidated fiscal year. Meanwhile, the method of adding the effects of such significant changes to business forecasts announced in the previous consolidated fiscal year and tax planning is used if it is deemed that there have been significant changes in the management environment or temporary differences since the end of the previous consolidated fiscal year.

- 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 the parent company.

(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 result, gross profit, operating income, ordinary income, and quarterly pretax net income decreased 39 million yen respectively.

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, 304 million yen in leased assets are posted as property, plant and equipment assets in comparison with the previous method. However, the effects of this change on profits and losses are very small.

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 First Half of the Fiscal Year

(Million of yen)

	End of the first half of the fiscal year (consolidated) (September 30, 2008)	Summarized consolidated balance sheet for the end of the previous consolidated fiscal year (March 31, 2008)
Assets		
Current assets		
Cash on hand and on deposit	15,837	16,742
Notes and accounts receivable	205,806	205,355
Marketable securities	499	498
Products	45,384	46,460
Others	26,952	24,752
Allowance for doubtful accounts	-2,142	-385
Total current assets	202,388	293,424
Fixed assets		
Property, plant and equipment	45,752	45,545
Intangible fixed assets		
Goodwill	7,959	6,371
Others	2,399	2,640
Total intangible fixed assets	10,359	9,011
Investments and other assets		
Others	38,084	40,211
Allowance for doubtful accounts	-832	-920
Total investments and other assets	37,251	39,291
Total fixed assets	93,363	93,849
Total assets	385,702	387,273
Liabilities		
Current liabilities		
Notes and accounts payable	260,232	259,717
Short-term loans payable	5,097	6,495
Income taxes payable	1,383	3,003
Accrued bonuses	2,535	2,506
Directors' bonuses	37	75
Reserve for sales returns	327	319
Others	5,734	5,780
Total current liabilities	275,346	277,898
Long-term liabilities		
Bonds payable	9,800	9,900
Long-term debt	353	535
Accrued retirement benefits for employees	2,099	2,095
Provision for loss on guarantees	1,000	
Negative goodwill	2,304	2,839
Others	13,781	13,232
Total long-term liabilities	29,338	28,601
Total liabilities	304,685	306,500
Net assets		
Shareholders' equity		
Common stock	10,649	10,599
Capital surplus	25,157	24,181
Retained earnings	45,471	48,829
Treasury stock	-1,453	-3,436
Total shareholders' equity	79,825	80,175
Unrealized gains on revaluation		
Unrealized gains on available-for-sale securities	2,253	1,699
Unrealized gains on revaluation of land	-4,637	-4,637
Total unrealized gains on revaluation	-2,142	-2,937
Equity warrants	62	54
Minority interests	3,513	3,480
Total net assets	81,017	80,772
Total liabilities and net assets	385,702	387,273

(2) Consolidated Profit and Loss Statement for the Six Months Ended Sep 30, 2008
[Cumulative Period for the First Half of the Fiscal Year (consolidated)]

	(Million of yen)
	Cumulative Period for the First Half of the Fiscal Year (consolidated) under Review (from April 1, 2008 to September 30, 2008)
Net sales	409,429
Cost of sales	375,730
Gross pprofit	33,699
Selling, general and administrative expenses	
Provision for allowances for directors' bonuses and salaries	13,737
Provision for accrued bonuses	2,525
Provision for directors' bonuses	36
Provision for accrued retirement benefits for employees	93
Welfare expenses	2,277
Vehicle expenses	671
Depreciation and amortization	1,042
Amortization expenses for goodwill	614
Rent	2,315
Taxes and dues	388
Others	5,624
Total selling, general and administrative expenses	29,329
Operating income	4,370
Non-operating income	
Interest income	74
Dividend income	256
Received commission	939
Amortization expenses for negative goodwill	535
Equity in earnings of affiliates	11
Others	403
Total non-operating income	2,220
Non-operating expenses	
Interest expenses	64
Loss before deduction of temporary consumption tax payment	383
Others	31
Total non-operating expenses	479
Ordinary income	6,110
Extraordinary gains	
Gains on sales of fixed assets	0
Gains on sales of investment securities	206
Gains on revision of retirement benefits system	220
Others	16
Total extraordinary gains	444
Extraordinary losses	
Loss on disposal of fixed assets	31
Impairment loss	120
Loss on revaluation of affiliates stocks clearance	5,586
Provision for loss on guarantees	1,000
Provision of allowance for doubtful accounts	1,793
Others	186
Total extraordinary losses	8,716
Income before income taxes	-2,161
Corporate, inhabitant and enterprise taxes	1,393
Adjustments for income taxes	-701
Total income taxes	691
Minority interests	43
Current net income	-2,896

[Accounting Period for Consolidated Second Quarter of the Fiscal Year (consolidated)]

(Million of yen)

Accounting Period for Consolidated Second
Quarter under Review (from July 1, 2008 to
September 30, 2008)
(from July 1, 2008 to September 30, 2008)

Net sales	204,265
Cost of sales	187,354
Gross income	16,911
Selling, general and administrative expenses	
Provision for allowances for directors' bonuses and salaries	6,906
Provision for accrued bonuses	1,279
Provision for directors' bonuses	18
Provision for accrued retirement benefits for employees	53
Welfare expenses	1,137
Vehicle expenses	376
Depreciation and amortization	540
Amortization expenses for goodwill	335
Rent	1,174
Taxes and dues	176
Others	2,863
Total selling, general and administrative expenses	14,863
Operating income	2,048
Non-operating income	
Interest income	45
Dividend income	47
Received commission	473
Amortization expenses for negative goodwill	267
Equity in earnings of affiliates	10
Others	226
Total non-operating income	1,070
Non-operating expenses	
Interest expenses	28
Loss before deduction of temporary consumption tax payment	213
Others	15
Total non-operating expenses	256
Ordinary income	2,862
Extraordinary gains	
Gains on sales of fixed assets	0
Reversal of allowance for doubtful accounts	13
Others	0
Total extraordinary gains	14
Extraordinary losses	
Loss on disposal of fixed assets	11
Impairment loss	27
Loss on revaluation of affiliates stocks clearance	5,586
Provision for loss on guarantees	1,000
Provision of allowance for doubtful accounts	1,793
Others	186
Total extraordinary losses	8,603
Income before income taxes	-5,727
Corporate, inhabitant and enterprise taxes	-458
Adjustments for income taxes	-297
Total income taxes	-756
Minority interests	-20
Current net income	-4,950

(3) Consolidated Statements of Cash Flows of the First half of the fiscal year

(Million of yen)

	Cumulative Period for the First Half of the Fiscal Year (consolidated) under Review (from April 1, 2008 to September 30, 2008)
Cash flows from operating activities	
Income before income taxes	-2,161
Depreciation	1,042
Loss on impairment	120
Amortization expenses for goodwill	614
Amortization expenses for negative goodwill	-535
Increase (decrease) in accrued employees' retirement benefits	-46
Increase (decrease) in reserve for sales returns	8
Increase (decrease) in accrued bonuses	19
Increase (decrease) in accrued directors' bonuses	-38
Increase (decrease) in allowance for doubtful receivables	1,668
Increase (decrease) in provision for loss on guarantees	1,000
Interest and dividend income	-330
Interest expense	64
Loss (profit) on sale excluding fixed assets	30
Loss (profit) on sale and assessment of investment securities	-155
Loss on valuation of stocks of subsidiaries and affiliates	5,586
Decrease (increase) in trade receivables	-132
Decrease (increase) in inventories	1,422
Decrease (increase) in other assets	-343
Increase (decrease) in trade payables	181
Increase (decrease) in other liabilities	-73
Increase (decrease) in accrued consumption taxes	-473
Other loss (profit)	-951
Subtotal	6,514
Interest and dividend income	333
Interest payment	-66
Payment of income taxes	-2,875
Other	1,179
Net cash provided by operating activities	5,086
Cash flows from investing activities	
Payment for addition to time deposits	-142
Proceeds from refunds of time deposits	683
Payment for acquisition of property, plant and equipment	-699
Proceeds from sale of property, plant and equipment	214
Payment for acquisition of intangible fixed assets	-87
Payment for acquisition of investment securities	-776
Proceeds from sale of investment securities	424
Payment for acquisition of stocks in affiliates	-1,276
Payment for extension of loans	-1,363
Proceeds from collection of loans	129
Other	-530
Net cash used in investing activities	-3,425
Cash flows from financing activities	
Net increase (decrease) in short-term loans payable	-1,414
Payment for repayment of long-term debt	-303
Payment for acquisition of own stock	-4
Payment for satisfaction of finance lease liabilities	-318
Payment of cash dividends	-457
Payment of cash dividends to minority shareholders	-6
Net cash used in financing activities	-2,504
Increase (decrease) in cash and cash equivalents	-843
Cash and cash equivalents at beginning of year	15,851
Increase in cash and cash equivalents resulting from merger	19
Amount of increase (decrease) in cash and cash equivalents due to change in the scope of consolidation	84
Cash and cash equivalents at the end of first quarter	15,112

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

Accounting period for consolidated second quarter of the fiscal year (consolidated) (from July 1, 2008 to September 30, 2008)

This is not applicable.

(5) Segmental Information

[Segmental Information according to Types of Business]

Cumulative period for the first half of the fiscal year (consolidated) (from April 1, 2008 to September 30, 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	399,038	10,185	205	409,429	—	409,429
(2) Inter-segment internal net sales or transfers	3,961	—	—	3,961	(3,961)	—
Total	403,000	10,185	205	413,390	(3,961)	409,429
Operating income	4,649	437	-218	4,868	(497)	4,370

(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 described in “4. Others (2) Changes in accounting principles, procedures, presentation methods, etc. concerning the preparation of quarterly consolidated financial statements (ii)”, the Accounting Standards for Measurement of Inventories, ASBJ Statement No. 9 dated July 5, 2006 is applied, beginning in the first consolidated quarter under way. With this change, operating income from pharmaceutical wholesaling business decreased by 39 million yen during the cumulative period for the first half of the fiscal year (consolidated) under review.
- (2) As described in “4. Others (2) Changes in accounting principles, procedures, presentation methods, etc. concerning the preparation of quarterly consolidated financial statements (iii)”, 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, were promptly applied beginning in the first consolidated quarter under review. However, the effects of this change on profits and losses are minimal.

Accounting Period for Consolidated Second Quarter of the Fiscal Year (consolidated) (from July 1, 2008 to September 30, 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	198,369	5,790	106	204,265	—	204,265
(2) Inter-segment internal net sales or transfers	2,149	—	—	2,149	(2,149)	—
Total	200,518	5,790	106	206,414	(2,149)	204,265
Operating income	2,135	290	-98	2,327	(278)	2,048

(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 described in “4. Others (2) Changes in accounting principles, procedures, presentation methods, etc. concerning the preparation of quarterly consolidated financial statements (ii)”, the Accounting Standards for Measurement of Inventories, ASBJ Statement No. 9 dated July 5, 2006 is applied, beginning in the first consolidated quarter under way. With this change, operating income from pharmaceutical wholesaling business decreased by 39 million yen during the cumulative period for the first half of the fiscal year (consolidated) under review.
- (2) As described in “4. Others (2) Changes in accounting principles, procedures, presentation methods, etc. concerning the preparation of quarterly consolidated financial statements (iii)”, 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, were promptly applied beginning in the first consolidated quarter under review. However, the effects of this change on profits and losses are minimal.

[Segmental Information according to Geographical Locations]

Cumulative period for the first half of the fiscal year (consolidated) (from April 1, 2008 to September 30, 2008)

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

Accounting Period for Consolidated Second Quarter of the Fiscal Year (consolidated) (from July 1, 2008 to September 30, 2008)

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

[Overseas Sales]

Cumulative period for the first half of the fiscal year (consolidated) (from April 1, 2008 to September 30, 2008)

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

Accounting Period for Consolidated Second Quarter of the Fiscal Year (consolidated) (from July 1, 2008 to September 30, 2008)

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

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

Cumulative period for the first half of the fiscal year (consolidated) (from April 1, 2008 to September 30, 2008)

This is not applicable.

[Reference]

Financial Statements and Other Information concerning the Previous First Half of the Fiscal Year (consolidated)
Consolidated Profit and Loss for the Previous Consolidated Interim Term

		Accounting Period for Previous Consolidated Interim Term (From Apr 1, 2007 to Sep 30, 2007)	
Account		Amount (million yen)	
I	Net sales		391,050
II	Cost of sales		359,167
	Gross profit		31,883
	Reversal of reserve for sales returns		2
	Gross profit after reserve for sales returns		31,880
III	Selling, general and administrative expenses		
	1. Directors' salaries and employees' salaries and allowances	12,735	
	2. Provision for accrued bonuses	2,311	
	3. Provision for directors' bonuses	37	
	4. Provision for accrued retirement benefits for employees	188	
	5. Welfare expenses	2,166	
	6. Vehicle expenses	561	
	7. Provision for allowance for doubtful receivables	8	
	8. Depreciation and amortization	1,000	
	9. Amortization expenses for goodwill	404	
	10. Rent	2,190	
	11. Taxes and dues	395	
	12. Miscellaneous expenses	5,209	27,210
	Operating Income		4,669
IV	Non-operating income		
	1. Interest income	76	
	2. Dividend income	202	
	3. Fee income	904	
	4. Real estate rental income	73	
	5. Amortization expenses for negative goodwill	660	
	6. Equity in earnings of affiliates	30	
	7. Miscellaneous income	317	2,265
V	Non-operating expenses		
	1. Interest expenses	49	
	2. Specified line commitment fees	19	
	3. Loss before deduction of temporary consumption tax payment	223	
	4. Miscellaneous losses	19	310
	Ordinary income		6,624
VI	Extraordinary gains		
	1. Gains on sales of fixed assets	1	
	2. Gain on sales of investment securities	—	
	3. Gain on sales of stocks of affiliate companies	—	
	4. Gains on sales of golf club memberships	0	
	5. Reversal of accrued retirement benefits for directors and corporate auditors	—	
	6. Reversal of prior year's merger costs	25	
	7. Others	0	27
VII	Extraordinary losses		
	1. Loss on disposal of fixed assets	106	
	2. Loss on sale of investment securities	—	
	3. Loss on revaluation of investment securities	3	
	4. Loss on sale of golf club memberships	—	
	5. Loss on revaluation of golf club memberships	—	
	6. Directors' retirement benefits	35	
	7. Variance from disposal of tying stocks	—	
	8. Loss due to switchover To defined contribution pension program	—	
	9. Impairment loss	225	
	10. Loss due to debt forgiveness	—	
	11. Others	2	374
	Income before income taxes		6,277
	Corporate income, inhabitant and enterprise taxes	2,515	
	Adjustments for income taxes	-456	2,058
	Minority interests		282
	Interim (current) net income		3,936

Consolidated Statement of Cash Flows for the Six Months Ended Sep 30, 2007

	Accounting Period for Previous Consolidated Interim Term (From Apr 1, 2007 to Sep 30, 2007)
Account	Amount (million yen)
I Cash flows from operating activities	
Income before income taxes	6,277
Depreciation	1,000
Loss on impairment of fixed assets	225
Amortization of goodwill	404
Amortization of negative goodwill	-660
Equity in earnings of affiliates	-30
Decrease in accrued retirement benefits for employees	-19
Increase in reserve for sales returns	2
Decrease in accrued bonuses	-53
Decrease in accrued directors' bonuses	-55
Decrease in allowance for doubtful accounts	-60
Interest and dividend income	-278
Research fee income	-904
Real estate rental income	-73
Miscellaneous income	-317
Interest expense	49
Specified line commitment fee	19
Loss before deduction of temporary consumption tax payment	223
Miscellaneous loss	19
Gain on sale of tangible fixed assets	-1
Loss on disposal of tangible fixed assets	106
Loss on disposal of intangible current assets	0
Loss on revaluation of investment securities	3
Other extraordinary gains	-26
Gain on sale of golf club memberships	-0
Directors' retirement benefits	35
Other extraordinary losses	2
Other non-cash losses (gains)	86
Decrease (increase) in trade receivables	-4,603
Decrease (increase) in inventories	954
Decrease (increase) in purchase rebates receivable	-1,911
Decrease (increase) in other assets	-244
Increase (decrease) in trade payables	-6,211
Increase in other liabilities	-353
Decrease in accrued consumption taxes	-369
Subtotal	-6,763
Interest and dividend received	280
Research fees received	896
Revenue from real estate lease contracts	73
Miscellaneous income	304
Interest payment	-46
Payment of specified line commitment against fee	-12
Miscellaneous payment	-18
Retirement benefit paid to directors and corporate auditors	-143
Payment in relation to the transition to defined contribution pension plans from defined benefit pension plans	-53
Income taxes paid	-3,077
Net cash provided by operating activities	-8,560

	Accounting Period for Previous Consolidated Interim Term (From Apr 1, 2007 to Sep 30, 2007)
Account	Amount (million yen)
II Cash flows from investing activities	
Payments for time deposits	-160
Maturity of time deposits	179
Payments for purchases of property, plant and equipment	-710
Payments for disposal of property, plant and equipment	-87
Proceeds from sales of property, plant and equipment	106
Payments for purchases of goodwill	-120
Payments for purchases of software	-58
Proceeds from sale of other intangible fixed assets	2
Payment from acquisition of long-term prepaid expense	-9
Proceeds from sale of long-term prepaid expense	0
Payment for acquisition of investment securities	-1,015
Proceeds from sale of investment securities	1
Payments for purchases of subsidiaries' stock, resulting in change in scope of consolidation	-1,524
Payments for purchases of investment 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	-90
Proceeds from sale of other investments	110
Disbursements for loans	-62
Proceeds from collections of loans	141
Net cash provided by (used in) investing activities	-6,766
III Cash flows from financing activities	
Decrease in short-term bank loans, net	961
Repayments of long-term debt	-144
Purchases of treasury stock	-1,896
Repayments of finance lease obligations	-323
Cash dividends paid	-341
Cash dividends paid to minority shareholders	-12
Net cash provided by financing activities	-1,757
IV Net increase in cash and cash equivalents	-17,084
V Cash and cash equivalents at beginning of year	43,429
VI Cash and cash equivalents at the end of year	26,345

Segmental Information

Segmental Information according to Types of Business

Accounting Period for Previous Consolidated Interim Term (from April 1, 2007 to September 30, 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	384,143	6,494	24	387	391,050	—	391,050
(2) Inter-segment internal net sales or transfers	2,283	—	416	—	2,700	(2,700)	—
Total	386,427	6,494	441	387	393,751	(2,700)	391,050
Operating expense	381,784	6,129	399	417	388,731	(2,350)	386,380
Operating income	4,642	365	41	-30	5,019	(349)	4,669

Segmental Information according to Geographical Locations

Accounting Period for Previous Consolidated Interim Term (from April 1, 2007 to September 30, 2007)

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

Overseas Sales

Accounting Period for Previous Consolidated Interim Term (from April 1, 2007 to September 30, 2007)

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