

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
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(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.