

Summary of Consolidated Financial Results for the Third Quarter of Fiscal 2011

February 1, 2011

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 Quarterly supplemental explanatory material prepared: None
 Quarterly results briefing held: None

(Amounts are truncated to the nearest million yen.)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 2011 (from Apr 1, 2010 to Dec 31, 2010)

(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 2011	800,004	5.4	6,506	-2.2	9,392	4.1	5,650	10.6
Third Quarter of Fiscal 2010	758,851	19.6	6,653	15.3	9,025	7.5	5,109	—

	Current Net Income per Share	Current Net Income per Share - Diluted
	Yen	Yen
Third Quarter of Fiscal 2011	75.91	—
Third Quarter of Fiscal 2010	80.62	78.13

(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 2011	546,837	110,510	20.2	1,482.62
Fiscal 2010	489,452	100,838	20.6	1,370.25

(Reference) Shareholder's equity: Third Quarter of Fiscal 2011: 110,436 million yen; Fiscal 2010 : 100,738 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 2010	—	8.00	—	8.00	16.00
Fiscal 2011	—	8.00	—	—	—
Fiscal 2011 (Projected)	—	—	—	8.00	16.00

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

3. Consolidated Projected Results of Operations during Fiscal Year 2011 (from April 1, 2010 to March 31, 2011) (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	1,043,000 4.1	5,600 -48.8	8,900 -37.0	6,800 -17.7	91.34

(Note) Revision of consolidated projected results of operations in the current quarter: Applicable

4. Others (For details, please refer to Other Information on page 4 of the Attached Document.)

(1) Changes in material subsidiaries during the third quarter of fiscal 2011:N.A.

Inclusion — (name) Exclusion — (name)

(Note) Same as in “Changes in material subsidiaries during the third quarter of fiscal 2011 (changes in special subsidiaries accompanying a change in the scope of consolidation)”.

(2) Application of simplified accounting practices and special accounting policy for quarterly financial reporting: Applicable

(Note) Same as in “Application of simplified accounting process and application of accounting process which is peculiar to the compilation of consolidated quarterly financial statements”.

(3) Changes in accounting principles, procedures, presentation methods, etc.

(i) Changes due to revision of accounting standards, etc.: Applicable

(ii) Changes other than (i): N.A.

(Note) Same as in “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)”.

(4) Number of shares outstanding (Common stock)

(i) Number of shares outstanding at end of fiscal year
(Including common stock for treasury)

Third Quarter of FY2011	74,582,502	FY2010	74,582,502
Third Quarter of FY2011	95,013	FY2010	1,063,968
Third Quarter of FY2011	74,435,012	Third Quarter of FY2010	63,375,693

(ii) Number of treasury stocks at end of fiscal year

(iii) The average number of shares during the third quarter

* Indicates quarterly review procedure implementation status

This quarterly earnings report is exempt from the quarterly review procedure under the Financial Instruments and Exchange Act. The quarterly financial statements are under the quarterly review procedure process at the time of disclosure of this report.

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

Any forward-looking statements contained in this report, including performance projections, are based on information currently available to the Company as well as certain assumptions that the Company deemed rational at the time of release of this report, and may differ significantly from actual results due to a variety of factors. Please refer to Qualitative Information on Projected Consolidated Results of Operations on page 3 of this report (the Attached Document) for the suppositions on which the performance projections are based and points that have to be borne in mind for the use of such projections.

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1. Qualitative Information and Related Items for the Third Quarter of FY2011

(1) Qualitative Information on Consolidated Results of Operations

In the market for prescription pharmaceuticals, the new NHI drug pricing system based on the pillars of the “promotional point addition system for new drug discovery/off label drug dissolution” was introduced on a trial basis in April 2010, and the NHI drug prices were reduced by 6.5% on average. Based on the objectives of the introduction of the new drug pricing system, the Group has promoted finely tailored marketing activities according to the characteristics of the products. In addition, while engaged in the promotion of its unique proposal-based marketing and sales activities, the Company has tackled distribution problems, including total value transactions, the issue of the gap between NHI prices and market prices and provisional shipping with the pricing yet to be negotiated, and has striven to form reasonable selling prices based on the value of each pharmaceutical and to secure adequate profits.

For the consolidated cumulative third quarter of the fiscal year ending March 2011, the market for prescription pharmaceuticals remained at a growth rate of 1.6% against the same period of the previous year (estimates by CRECON RESEARCH & CONSULTING INC.), affected by a decline in the sales of long-listed drugs due to the growth in sales of generic pharmaceuticals. Under these circumstances, the Company’s operating results for the consolidated cumulative third quarter of the fiscal year ending March 2011 recorded 800,004 million yen for net sales (an increase of 5.4% on a year-on-year basis), 6,506 million yen for operating income (a decrease of 2.2% on a year-on-year basis), 9,392 million yen for ordinary income (an increase of 4.1% on a year-on-year basis), and 5,650 million yen for net income (an increase of 10.6% on a year-on-year basis).

The outline of operating results by business segment is as follows:

In the pharmaceutical wholesaling operations, consolidated net sales for the cumulative third quarter amounted to 774,646 million yen (an increase of 5.0% compared with the same period of the previous year), supported by contributions since the beginning of the year by OMWELL Inc. (currently, SAYWELL Inc.) and ASUCOME CO., LTD., both of which were consolidated during the previous fiscal year as well as the enhancement of business relation by proposal-based marketing and sales. Despite the net sales mentioned above falling slightly below the Company’s projection, the growth rate of sales exceeded the average growth rate of the market. However, in the third quarter, the reduction in the gap between NHI prices and market prices has not made as much progress as scheduled, due to intensifying competition among pharmaceutical wholesalers and delays in agreements on price negotiations (the rate of agreement as of the end of December 2010: 52.3% on a sales basis), and the gross profit rate fell below the projection. On the other hand, SG&A expenses were kept within the expected level. As a result, the operating income was 4,896 million yen, a decrease by 1.5% against the same period a year earlier. As for the management of the Group, ASUCOME CO., LTD. (Headquarters: Sendai City, Miyagi prefecture) was consolidated with TOHO PHARMACEUTICAL CO., LTD. (headquartered in Setagaya-ku, Tokyo) on October 1, 2010, which contributed to the total optimization of the group’s management resources in the Tohoku area and the maximization of their corporate value.

In the dispensing pharmacy operations, net sales for the cumulative third quarter amounted to 48,686 million yen (an increase of 23.2% on a year-on-year basis) and the operating income was 2,226 million yen (an increase of 24.9% on a year-on-year basis).

In the SMO and CRO operations, net sales for the cumulative third quarter amounted to 311 million yen and the operating income was minus 96 million yen.

In the information equipment sales operations, net sales for the cumulative third quarter totaled 751 million yen, with an operating loss of 371 million yen.

(Note) Segment sales include inter-segment transactions.

(2) Qualitative Information on Consolidated Financial Position

(Assets)

Current assets increased 12.8% from the end of the previous consolidated fiscal year to 411,155 million yen with an increase of cash and deposits of 10,855 million yen, and an increase in notes and accounts receivable-trade of 21,978 million yen, and an increase in merchandise and finished goods of 14,839 million yen and a decrease in short-term investment securities of 1,597 million yen.

Noncurrent assets increased 8.6% from the end of the previous consolidated fiscal year, to 135,682 million yen, with an increase in land of 647 million yen, and an increase in construction in progress of 706 million yen, and an increase in investment securities of 6,465 million yen, and an increase in stocks of subsidiaries and affiliates of 2,716 million yen.

As a result, consolidated net assets rose 11.7% from a year earlier, to 546,837 million yen.

(Liabilities)

Current liabilities increased 13.5% from the end of the previous consolidated fiscal year to 388,735 million yen with an increase of notes and accounts payable-trade of 53,890 million yen, and a decrease in short-term loans payable of 3,409 million yen, and a decrease in income taxes payable of 2,029 million yen, and a decrease in accrued consumption taxes of 1,321 million yen, and a decrease in provision for bonuses of 1,458 million yen.

Noncurrent liabilities increased 3.0% from the end of the previous consolidated fiscal year, to 47,592 million yen with a increase in deferred tax liabilities of 2,165 million yen, and an increase in long-term loans of 674 million yen, and an increase in asset retirement obligations of 669 million yen, and an increase in provision for loss on guarantees of 226 million yen, and a decrease in provision for retirement benefits of 1,102 million yen, and a decrease in negative goodwill of 1,310 million yen.

As a result, total liabilities increased 12.3% year-on-year to 436,327 million yen.

(Net assets)

Total net assets were up 9.6% from the end of the previous consolidated fiscal year, to 110,510 million yen, with a 4,267 million yen increase in retained earnings and a 1,012 million yen decrease in treasury stock.

(Analysis of the Cash Flow Position)

Cash and cash equivalents (hereinafter referred to as “cash”) during this consolidated third quarter increased by 11,956 million yen from the end of the preceding consolidated fiscal year. As a result, the balance at the end of this third quarter totaled 34,601 million yen (an increase of 2,212 million yen on a year-on-year basis). The following describes the three categories of consolidated cash positions during this consolidated third quarter, as well as the factors responsible.

(Cash Flows from Operating Activities)

Cash flow from operating activities was an inflow of 19,830 million yen (an increase of 7,872 million yen on a year-on-year basis). Although inflow was secured by some positive factors such as income before income taxes of 8,947 million yen, an increase in depreciation of 2,051 million yen, and an increase in amortization of goodwill of 1,594 million yen, and an increase in notes and accounts payable-trade of 53,094 million yen, these were somewhat offset by negative factors including an increase in notes and accounts receivable-trade of 21,135 million yen, and increase in inventories of 14,673 million yen, and decrease in accrued consumption taxes of 3,009 million yen, and payment of income taxes of 6,185 million yen.

(Cash Flows from Investing Activities)

Cash flow from investing activities was an outflow of 3,053 million yen (an decrease of 2,068 million yen from the previous year), due to a net increase in cash of 1,125 million yen as the difference between payment for additions to time deposits and proceeds from sales of short-term investment securities of 1,598 million yen, and the payment for the acquisition of property, plant and equipment of 2,396 million yen, and the purchase of stocks of subsidiaries and affiliates of 2,849 million yen, and the payments of loans receivable of 1,044 million yen.

(Cash Flows from Financing Activities)

The cash flow from financing activities was an outflow of 5,077 million yen, a decline in funds by 10,866 million yen compared with the same period of the previous year, which is primarily attributable to a net decrease in short-term loans payable of 4,671 million yen and cash dividends paid at 588 million yen, despite a net increase in long-term loans payable after deducting the amount of repayment from that of new borrowings of 1,506 million yen.

(3) Qualitative Information on Projected Consolidated Results of Operations

The Company has revised its consolidated full-year earnings forecast for the fiscal year ending March 2011 (April 1, 2010 - March 31, 2011) announced on May 12, 2010, taking into consideration the recent trends in performances and the future prospects.

As for the details, please refer to the Notice regarding the Revision of the Full-year Earnings Forecasts for the Fiscal Year ending March 2011 announced today (February 1, 2011).

2. Other Information

(1) Outline of Changes in Material Subsidiaries

Not Applicable

(2) Outline of Simplified Accounting Practices and Special Accounting Policy

(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 third quarter of the current consolidated fiscal year 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 employed in calculating the estimated doubtful debts at the end of the first half under review.

- Method of evaluating inventory assets

Regarding the accounting of inventories as of the end of the consolidated third quarter, physical inventory was omitted, and the Company adopted the method of calculating inventories reasonably based on the results of the physical inventory at the end of the consolidated second quarter.

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 difference is insignificant, the transactions are netted by adjusting to the amount of transaction posted by the seller.

- Netting of unrealized gains and losses

The Company calculates the net unrealized gains or losses by making a reasonable estimate of the portion of relevant inventory to the balance of inventories at the end of the consolidated third quarter and the profit ratios related to the relevant transactions.

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

Not applicable.

(3) Outline of Changes in accounting principles, procedures, presentation methods, etc.,

1. Changes in Accounting Principles

(i) Application of the “Accounting Standard for Equity Method of Accounting for Investments” and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”

From the first quarter of the current fiscal year, the “Accounting Standard for Equity Method of Accounting for Investments” (Accounting Standards Board of Japan [ASBJ] Statement No. 16; published on March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ Practical Issue Task Force [PITF] No. 24; March 10, 2008) have been applied.

The impact on quarterly consolidated financial statements as a result of this change was insignificant.

(ii) Application of the Accounting Standard for Asset Retirement Obligations

From the first quarter of the current fiscal year, the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18; March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21; March 31, 2008) have been applied.

As a result, the operating income and ordinary income for the cumulative third quarter each decreased by 22million yen and the income before income taxes for the same period fell by 357 million yen.

The change in asset retirement obligations stemming from the introduction of this new accounting standard is 733 million yen.

(iii) Application of the Accounting Standard for Business Combinations

From the first quarter of the current fiscal year, the Company has been applying the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21; December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22; December 26, 2008), “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23; December 26, 2008), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7; December 26, 2008), “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No 16; published on December 26, 2008) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10; December 26, 2008).

2. Changes in Presentation Method

Due to the adoption of the “Cabinet Office Ordinance Partially Revising Regulation on the Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No. 5; March 24, 2009) in accordance with the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22; December 26, 2008), “income before minority interests” is included in the financial statements for the consolidated cumulative third quarter of the current fiscal year and for the accounting period for consolidated third quarter of the current fiscal year.

(4) Outline of Material Events regarding Going Concern Assumption

Not applicable.

3. Quarterly Consolidated Financial Statements
 (1) Quarterly Consolidated Balance Sheets

(Million of yen)

	End of consolidated this third quarter (December 31, 2010)	Summarized consolidated balance sheet for the end of the previous consolidated fiscal year (March 31, 2010)
Assets		
Current assets		
Cash and deposits	38,049	27,194
Notes and accounts receivable-trade	273,443	251,465
Short-term investment securities	501	2,099
Merchandise and finished goods	70,615	55,776
Other	29,117	28,452
Allowance for doubtful accounts	- 572	-523
Total current assets	411,155	364,464
Noncurrent assets		
Property, plant and equipment	59,567	58,273
Intangible assets		
Goodwill	15,380	15,535
Other	2,608	2,943
Total intangible assets	17,988	18,478
Investments and other assets		
Other	60,695	51,136
Allowance for doubtful accounts	- 2,569	-2,900
Total investments and other assets	58,125	48,236
Total noncurrent asset	135,682	124,988
Total assets	546,837	489,452

(Million of yen)

	End of consolidated this third quarter (December 31, 2010)	Summarized consolidated balance sheet for the end of the previous consolidated fiscal year (March 31, 2010)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	366,723	312,833
Short-term loans payable	10,714	14,124
Current portion of bonds	85	245
Income taxes payable	2,187	4,216
Provision for bonuses	1,646	3,104
Provision for directors' bonuses	96	80
Provision for sales returns	313	304
Asset retirement obligations	55	—
Other	6,911	7,487
Total current liabilities	388,735	342,396
Noncurrent liabilities		
Bonds payable	350	372
Long-term loans payable	20,886	20,212
Provision for retirement benefits	3,481	4,583
Provision for loss on guarantees	226	—
Negative goodwill	3,907	5,217
Asset retirement obligations	669	—
Other	18,071	15,831
Total noncurrent liabilities	47,592	46,217
Total liabilities	436,327	388,613
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	42,884	42,535
Retained earnings	56,569	52,302
Treasury stock	-47	-1,060
Total shareholders' equity	110,056	104,427
Unrealized gains on revaluation		
Valuation difference on available-for-sale securities	4,973	884
Revaluation reserve for land	-4,592	-4,572
Total unrealized gains on revaluation	380	-3,688
Subscription rights to shares	62	62
Minority interests	10	37
Total net assets	110,510	100,838
Total liabilities and net assets	546,837	489,452

(2) Quarterly Consolidated Profit and Loss Statement
[Cumulative Period for the Consolidated Third Quarter]

(Million of yen)

	Cumulative period for previous consolidated third quarter (from April 1, 2009 to December 31, 2009)	Cumulative period for this consolidated third quarter (from April 1, 2010 to December 31, 2010)
Net sales	758,851	800,004
Cost of sales	700,878	733,242
Gross profit	57,973	66,761
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	27,276	32,040
Provision for bonuses	1,447	1,807
Provision for directors' bonuses	57	96
Provision for accrued retirement benefits for employees	220	332
Welfare expenses	4,083	4,941
Vehicle expenses	791	1,056
Provision of allowance for doubtful accounts	18	—
Depreciation	1,842	2,051
Amortization of goodwill	1,512	1,594
Rent expenses	4,340	5,305
Taxes and dues	649	830
Other	9,077	10,197
Total selling, general and administrative expenses	51,319	60,254
Operating income	6,653	6,506
Non-operating income		
Interest income	80	125
Dividend income	480	602
Commission fee	1,597	1,933
Amortization of negative goodwill	1,110	1,310
Equity in earnings of affiliates	51	59
Other income	776	1,117
Total non-operating income	4,096	5,147
Non-operating expenses		
Interest expenses	249	444
Loss before deduction of temporary consumption tax payment	1,337	1,687
Miscellaneous loss	137	130
Total non-operating expenses	1,724	2,261
Ordinary income	9,025	9,392

(Million of yen)

	Cumulative period for previous consolidated third quarter (from April 1, 2009 to December 31, 2009)	Cumulative period for this consolidated third quarter (from April 1, 2010 to December 31, 2010)
Extraordinary income		
Gain on sales of noncurrent assets	59	65
Gains on sales of investment securities	0	162
Reversal of allowance for doubtful accounts	—	121
Gain on transfer of business	27	9
Gain on liquidation of subsidiaries and affiliates	26	—
Gain on sales of subsidiaries and affiliates' stocks	97	—
Other	24	66
Total extraordinary income	235	425
Extraordinary loss		
Loss on disposal of noncurrent assets	69	94
Impairment loss	59	49
Loss on sales of investment securities	—	24
Gain on reversal of loss on valuation of investment securities	—	42
Loss on revision of retirement benefit plan	—	95
Provision for loss on guarantees	—	226
Provision of allowance for doubtful accounts	119	—
Loss from debt waiver	93	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	334
Other	81	2
Total extraordinary loss	423	871
Income before income taxes	8,838	8,947
Income taxes-current	2,977	4,028
Income taxes-deferred	768	-702
Total income taxes	3,746	3,325
Income before minority interests	5,092	5,621
Minority interests in loss	-17	-28
Current net income	5,109	5,650

[Accounting Period for Consolidated Third Quarter]

(Million of yen)

	Accounting period for previous consolidated third quarter (from October 1, 2009 to December 31, 2009)	Accounting period for this consolidated third quarter (from October 1, 2010 to December 31, 2010)
Net sales	282,286	280,145
Cost of sales	260,387	258,380
Gross profit	21,899	21,765
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	8,831	9,632
Provision for bonuses	1,447	1,807
Provision for directors' bonuses	20	30
Provision for accrued retirement benefits for employees	95	94
Welfare expenses	1,463	1,726
Vehicle expenses	287	340
Provision of allowance for doubtful accounts	6	—
Depreciation	678	723
Amortization of goodwill	490	538
Rent expenses	1,498	1,790
Taxes and dues	222	272
Other	3,118	3,363
Total selling, general and administrative expenses	18,162	20,318
Operating income	3,737	1,446
Non-operating income		
Interest income	26	40
Dividend income	177	205
Commission fee	554	634
Amortization of negative goodwill	429	270
Equity in earnings of affiliates	16	4
Other income	273	391
Total non-operating income	1,478	1,546
Non-operating expenses		
Interest expenses	102	122
Loss before deduction of temporary consumption tax payment	490	597
Miscellaneous loss	29	22
Total non-operating expenses	622	741
Ordinary income	4,593	2,252

(Million of yen)

	Accounting period for previous consolidated third quarter (from October 1, 2009 to December 31, 2009)	Accounting period for this consolidated third quarter (from October 1, 2010 to December 31, 2010)
Extraordinary income		
Gain on sales of noncurrent assets	-4	6
Gains on sales of investment securities	0	0
Reversal of allowance for doubtful accounts	—	29
Gain on liquidation of subsidiaries and affiliates	4	—
Gain on sales of subsidiaries and affiliates' stocks	97	—
Other	19	16
Total extraordinary income	117	52
Extraordinary loss		
Loss on disposal of noncurrent assets	44	3
Impairment loss	7	49
Loss on sales of investment securities	—	24
Loss on revaluation of investment securities	—	-59
Loss on revision of retirement benefit plan	—	-12
Provision for loss on guarantees	—	39
Provision of allowance for doubtful accounts	-107	—
Loss from debt waiver	93	—
Loss on extinguishment of tie-in shares	28	—
Other	9	0
Total extraordinary loss	77	47
Income before income taxes	4,633	2,257
Income taxes-current	1,101	403
Income taxes-deferred	726	-94
Total income taxes	1,827	309
Income before minority interests	2,805	1,948
Minority interests in loss	-17	-9
Current net income	2,822	1,958

(3) Quarterly Consolidated Statements of Cash Flows

(Million of yen)

	Cumulative period for previous consolidated third quarter (from April 1, 2009 to December 31, 2009)	Cumulative period for this consolidated third quarter (from April 1, 2010 to December 31, 2010)
Net cash provided by (used in) operating activities		
Income before income taxes	8,838	8,9471
Depreciation and amortization	1,898	2,051
Impairment loss	59	49
Amortization of goodwill	1,512	1,594
Amortization of negative goodwill	-1,110	-1,310
Increase (decrease) in provision for retirement benefits	-30	-1,125
Increase (decrease) in provision for sales returns	52	9
Increase (decrease) in provision for bonuses	-1,535	-1,490
Increase (decrease) in provision for directors' bonuses	-22	16
Increase (decrease) in allowance for doubtful accounts	-295	-282
Increase (decrease) in provision for loss on guarantees	—	226
Interest and dividend income	-560	-728
Interest expense	249	444
Loss (gain) on sales and retirement of noncurrent assets	9	28
Loss (gain) on sales and valuation of investment securities	41	-94
Gain on sales of subsidiaries and affiliates' stocks	-97	—
Decrease (increase) in notes and accounts receivable-trade	-55,275	-21,135
Decrease (increase) in inventories	-13,680	-14,673
Decrease (increase) in other assets	-2,551	-141
Increase (decrease) in notes and accounts payable-trade	74,288	53,094
Increase (decrease) in other liabilities	1,994	1,799
Increase (decrease) in accrued consumption taxes	-1,322	-3,009
Other loss (gain)	-644	-672
Subtotal	11,820	23,599
Interest and dividends income received	584	749
Interest expenses paid	-249	-442
Income taxes paid	-2,059	-6,185
Other	1,860	2,110
Net cash provided by (used in) operating activities	11,958	19,830

(Million of yen)

	Cumulative period for previous consolidated third quarter (from April 1, 2009 to December 31, 2009)	Cumulative period for this consolidated third quarter (from April 1, 2010 to December 31, 2010)
Net cash provided by (used in) investment activities		
Payments into time deposits	-362	-196
Proceeds from withdrawal of time deposits	1,509	1,321
Purchase of short-term investment securities	-1,500	—
Proceeds from sales of short-term investment securities	1,999	1,598
Purchase of property, plant and equipment	-2,341	-2,396
Proceeds from sales of property, plant and equipment	235	259
Purchase of intangible assets	-310	-507
Proceeds from sales of intangible assets	32	28
Purchase of investment securities	-153	-79
Proceeds from sales of investment securities	632	508
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	460	—
Purchase of stocks of subsidiaries and affiliates	-312	-2,849
Proceeds from sales of stocks of subsidiaries and affiliates	210	—
Payments of loans receivable	-831	-1,044
Collection of loans receivable	335	345
Other	-588	-41
Net cash provided by (used in) investment activities	-984	-3,053
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-481	-4,671
Proceeds from long-term loans payable	16,400	7,635
Repayment of long-term loans payable	-1,389	-6,128
Payments for retirement by purchase of bonds	—	-34
Redemption of bonds	-6,110	-218
Purchase of treasury stock	-1,084	-1
Repayments of finance lease obligations	-488	-473
Cash dividends paid	-1,056	-1,184
Net cash provided by (used in) financing activities	5,788	-5,077
Net increase (decrease) in cash and cash equivalents	16,762	11,700
Cash and cash equivalents at beginning of year	13,091	22,645
Increase in cash and cash equivalents resulting from merger	449	—
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	2,366	256
Decrease in cash and cash equivalents due to alteration of the financial period of a consolidated subsidiary	-280	—
Cash and cash equivalents at the end of first half	32,388	34,601

(4) Notes concerning premise of a going business

Not applicable.

(5) Segmental Information

[Segmental Information according to Types of Business]

Cumulative period for previous consolidated third quarter (from April 1, 2009 to December 31, 2009)

	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	CRO and SMO (million yen)	Other Operations (million yen)	Total (million yen)	Eliminations or corporate (million yen)	Consolidated (million yen)
Net Sales							
(1) Net sales to external customers	718,835	39,514	378	122	758,851	—	758,851
(2) Inter-segment internal net sales or transfers	19,104	8	—	165	19,278	(19,278)	—
Total	737,940	39,523	378	288	778,130	(19,278)	758,851
Operating income	4,972	1,782	-54	-100	6,600	53	6,653

(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
- (4) Other Operations..... Manufacturing and sales of information processing devices

3. Segment information by type of business was categorized into the three segments of Pharmaceutical Wholesaling, Dispensing Pharmacy and CRO and SMO in the past. However, the businesses of ALF Inc., which became a consolidated subsidiary at the end of the Second Quarter of fiscal 2010, were presented under Other Operations.

[Segmental Information according to Geographical Locations]

Cumulative period for previous consolidated third quarter (from April 1, 2009 to December 31, 2009)

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

[Overseas Sales]

Cumulative period for previous consolidated third quarter (from April 1, 2009 to December 31, 2009)

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

[Segmental Information]
(Additional Information)

From the first quarter of the current fiscal year, the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17; March 27, 2009) and the “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20; March 21, 2008) have been applied.

1. Outline of reportable segments

The reported segments of the Company are those business units included in the Company for which separate financial information is available and which are subject to regular review by the Board of Directors so that it can make decisions about resources to be allocated to them as well as assess their business performance.

The Group has put the pharmaceutical wholesaling and dispensing pharmacy businesses under the control of respective management companies. Each management company formulates comprehensive domestic strategies, while operating companies are engaged in actual operations.

Meanwhile, in the SMO and CRO and information equipment sales businesses, the Company and respective operating companies work together in formulating comprehensive domestic strategies as well as in actual operations.

Accordingly, the Company consists of business segments that are based on sales of prescription pharmaceuticals, medical care-related products and services, etc. and has four reportable segments, namely Pharmaceutical Wholesaling, Dispensing Pharmacy, SMO and CRO, and Information Equipment Sales.

Each of the segments is engaged in the following operations: Pharmaceutical Wholesaling, sales of pharmaceuticals, narcotics, reagents, etc., and sales of medical devices; Dispensing Pharmacy, insurance pharmacy and home medical care operations, and sales of pharmaceuticals; CRO and SMO, site management organization and contract research organization services; and Information Equipment Sales, design and sales of information processing equipment.

2. Information about sales and profit or loss by reportable segment

Cumulative period for this consolidated third quarter (from April 1, 2010 to December 31, 2010)

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO and CRO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales							
(1) Net sales to external customers	750,469	48,672	311	551	800,004	—	800,004
(2) Inter-segment internal net sales or transfers	24,176	14	—	200	24,391	-24,391	—
Total	774,646	48,686	311	751	824,395	-24,391	800,004
Segment income	4,896	2,226	-96	-371	6,655	-148	6,506

(Note) 1. Adjustments represent elimination of internal transactions and unrealized profit.

2. The amounts for income or losses in the reportable segments were subsequently adjusted with the amount of operating income on the quarterly consolidated profit and loss statement.

(6) Notes concerning Material Changes in Shareholders' Equity

Not applicable.