

# Summary of Consolidated Financial Results for the First Half of Fiscal Year Ending March 2011

November 5, 2010

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Scheduled submission date for quarterly report: Nov 12, 2010 Planned Date of Dividends Payment: Dec 6, 2010

Quarterly supplemental explanatory material prepared: Applicable

Quarterly results briefing held: Applicable (For Institutional Investors and Analysts)

(Amounts are truncated to the nearest million yen.)

## 1. Consolidated Financial Results for the First Half of the Fiscal Year Ending March 2011

(from April 1, 2010 to September 30, 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		Current Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Half of Fiscal 2011	519,858	9.1	5,060	73.5	7,140	61.1	3,692	61.5
First Half of Fiscal 2010	476,564	16.4	2,916	-33.3	4,432	-27.5	2,286	—

	Current Net Income per Share	Current Net Income per Share - Diluted
	Yen	Yen
First Half of Fiscal 2011	49.62	--
First Half of Fiscal 2010	38.95	36.98

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity per share	Net Assets per Share
	Million yen	Million yen	%	Yen
First Half of Fiscal 2011	492,061	104,426	21.2	1,400.81
Fiscal 2010	489,452	100,838	20.6	1,370.25

(Reference) Shareholder's equity: First Half of Fiscal 2011: 104,342 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
Full year	1,060,000	5.8	12,000	9.7	14,700	4.0	8,300	0.4	111.49

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

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

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

Inclusion — (name ) Exclusion — (name )

(Note) Same as in “Changes in material subsidiaries during the first half 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)

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

(iii) The average number of shares during the first half

First Half of FY2011	74,582,502	FY2010	74,582,502
First Half of FY2011	94,647	FY2010	1,063,968
First Half of FY2011	74,408,500	First Half of FY2010	58,710,084

\* 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 First Half 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 this year, 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, including not only those pharmaceuticals subject to the new drug pricing system, but also orphan drugs (drugs developed for the treatment of a rare medical condition), long-listed drugs (original drugs with generic competition) and generic pharmaceuticals. In addition, while engaged in the promotion of proposal-based marketing and sales capitalizing on the competitive edge of the Company’s unique customer support systems, we have tackled distribution problems such as provisional shipping with the pricing yet to be negotiated, total value transactions and the issue of the gap between NHI prices and market prices, and striven to form reasonable prices based on each pharmaceutical value and secure adequate profit.

Under these circumstances, during the first half of the fiscal year ending March 2011, the market for prescription pharmaceuticals advanced, posting a 2.6% increase from the same period of the previous year (estimates by Crecon Research & Consulting Inc.). Meanwhile, the Group’s net sales for the first half grew much faster than the market to 519,858 million yen (a year-on-year increase of 9.1%). The strong sales are largely attributed to OMWELL Inc. (currently, SAYWELL Co., Ltd.) and ASUCOME CO., LTD., both of which have been consolidated during the previous fiscal year, having made a significant contribution to consolidated earnings from the beginning of the current fiscal year. In addition, gross income increased by 8,922 million yen from the same period of the preceding year, bolstered by the consolidation of the two companies mentioned above and solid expansion of the dispensing pharmacy business, with the gross income/sales ratio improving by 1.1 percentage point from the same period of last year to 8.7%. Although SG&A expenses increased by 6,778 million yen compared with the same period last year due to the increasing number of consolidated companies, the SG&A ratio to sales stood at 7.7%, as projected. Consequently, operating income surged by 2,143 million yen from the same period of the previous year to 5,060 million yen (a year-on-year increase of 73.5%), with the operating income/sales ratio improving by 0.4 percentage points from the same period of the preceding year to 1.0%. Ordinary income jumped by 2,707 million yen year on year to 7,140 million yen (a year-on-year increase of 61.1%), with the ordinary income/sales ratio improving by 0.5 percentage points from the same period of the preceding year to 1.4%.

Furthermore, with respect to extraordinary profits and losses, extraordinary profits of 373 million yen were posted, including gain on sale of investment securities at 162 million yen, and extraordinary losses of 824 million yen were recorded, including loss on adjustment for changes of accounting standard for asset retirement obligations of 334 million yen and loss on valuation of investment securities of 102 million yen. As a result, the net income for the first half of the fiscal year ending March 2011 increased by 1,405 million yen from the same period of the preceding year to 3,692 million yen (up by 61.5% on a year-on-year basis).

As a result, consolidated net sales for the first half of fiscal 2011 stood at 519,858 million yen (a year-on-year increase of 9.1%), and consolidated operating income was 5,060 million yen (a year-on-year increase of 73.5%). ordinary income was 7,140 million yen (a year-on-year increase of 61.1%), and net income for the first half was 3,692 million yen (a year-on-year increase of 61.5%).

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

In the pharmaceutical wholesaling operations, sales of prescription pharmaceuticals have been affected by the NHI drug price revisions, effective from April 1 of this year, as a result of which NHI drug prices have been reduced by 5.75% on average (data released by the Ministry of Health, Labour and Welfare; the actual reduction rate that factors in the additional price reductions of 2.2% applied to long-listed drugs with generic competition is about 6.5% on average) as well as by the repercussions from the increased demand for influenza-related drugs in the previous year. However, sales of the pharmaceutical wholesaling operations for the second cumulative quarter grew significantly faster than the market average rate assisted by the Group’s efforts to focus on the sales of new products and pharmaceuticals for lifestyle-related diseases for which demand is expanding, the increasing number of consolidated companies as mentioned above, and the contribution from the Group’s proposal-based marketing and sales. In the first half of the current fiscal year, the pharmaceutical wholesaling business posted net sales of 503,194 million yen (a year-on-year increase of 8.8%) and operating income of 4,391 million yen. With respect to the progress of the business expansion of the Group, Nansei Pharmaceutical Co., Ltd. (headquartered in Naha city, Okinawa prefecture) became a wholly-owned subsidiary on June 1, 2010, and Nansei Pharmaceutical changed its trade name to Okinawa Toho Co., Ltd. This business merger has expanded the network of the Kyoso Mirai Group to cover all 47 prefectures in the country. Furthermore, on July 1, 2010, Yamaguchi Toho Co., Ltd. integrated the pharmaceutical wholesaling business of ASUCOME CO., LTD. in Ibaraki prefecture through an absorption-type corporate split, strengthening the Group’s operating base in that prefecture.

In the dispensing pharmacy operations, net sales for the first half of fiscal 2011 amounted to 31,692 million yen (a year-on-year increase of 22.8%) and the operating income was 1,058 million yen. On July 1, 2010, Jus-Pharma Co., Ltd. absorbed Yagen Co., Ltd. On the same day, the Group’s dispensing pharmacy business was reorganized; the dispensing pharmacy operations implemented in Ibaraki prefecture by Tomonity Inc., Pharma Square Co., Ltd. and Nest Co., Ltd. were consolidated into Jus-Pharma Co., Ltd. with the aim of strengthening the Group’s operating base for the dispensing pharmacy business in that prefecture.

Furthermore, the four companies of Nest Co., Ltd., Jus-Pharma Co., Ltd., Seiko Pharmacy Co., Ltd. and Himawari Pharmacy Company Limited were newly included in the consolidated companies of the Group.

In the SMO and CRO operations, net sales for the first half of fiscal 2011 amounted to 202 million yen and the operating income was minus 43 million yen.

In the information equipment sales operations, net sales for the first half of fiscal 2011 totaled 482 million yen, with an operating loss of 251 million yen.

(Note) Segment sales include inter-segment transactions.

## (2) Qualitative Information on Consolidated Financial Position

### (Assets)

Current assets increased 0.5% from the end of the previous consolidated fiscal year to 366,326 million yen with an increase of cash and deposits of 1,689 million yen, and an increase in notes and accounts receivable-trade of 438 million yen, and an increase in merchandise and finished goods of 2,431 million yen and a decrease in short-term investment securities of 1,597 million yen, and a decrease in purchase rebates receivable of 1,512 million yen.

Noncurrent assets increased 0.6% from the end of the previous consolidated fiscal year, to 125,735 million yen, with an increase in land of 456 million yen, and an increase in construction in progress of 503 million yen, and an increase in goodwill of 363 million yen, and an increase in long-term loans receivable of 647 million yen, and a decrease in investment securities of 1,552 million yen.

As a result, consolidated net assets rose 0.5% from a year earlier, to 492,061 million yen.

### (Liabilities)

Current liabilities decreased 0.4% from the end of the previous consolidated fiscal year to 340,974 million yen with an increase of notes and accounts payable-trade of 4,361 million yen, and a decrease in short-term loans payable of 3,470 million yen, and a decrease in income taxes payable of 1,519 million yen.

Noncurrent liabilities increased 1.0% from the end of the previous consolidated fiscal year, to 46,660 million yen with an increase in long-term loans payable of 1,800 million yen, and an increase in asset retirement obligations of 688 million yen, and a decrease in provision for retirement benefits of 1,138 million yen, and a decrease in negative goodwill of 1,039 million yen.

As a result, total liabilities decreased 0.3% year-on-year to 387,635 million yen.

### (Net assets)

Total net assets were up 3.6% from the end of the previous consolidated fiscal year, to 104,426 million yen, with a 2,885 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 first half increased by 2,681 million yen from the end of the preceding consolidated fiscal year. As a result, the balance at the end of this first half totaled 25,327 million yen (an increase of 3,040 million yen on a year-on-year basis). The following describes the three categories of consolidated cash positions during this consolidated first half, as well as the factors responsible.

#### (Cash Flows from Operating Activities)

Cash flow from operating activities was an inflow of 5,453 million yen (an increase of 9,558 million yen on a year-on-year basis). Although inflow was secured by some positive factors such as income before income taxes of 6,689 million yen, an increase in depreciation of 1,328 million yen, and an increase in amortization of goodwill of 1,056 million yen, and an increase in notes and accounts payable-trade of 3,565 million yen, these were somewhat offset by negative factors including an increase in inventories of 2,265 million yen, and payment of income taxes of 4,815 million yen.

#### (Cash Flows from Investing Activities)

Cash flow from investing activities was an inflow of 151 million yen (an increase of 1,372 million yen from the previous year), due to a net increase in cash of 1,012 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 1,451 million yen, and the payments of loans receivable of 1,040 million yen.

#### (Cash Flows from Financing Activities)

The cash flow from financing activities was an outflow of 3,179 million yen, a decline in funds by 17,136 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 4,723 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 2,623 million yen.

## (3) Qualitative Information on Projected Consolidated Results of Operations

There are no changes in the projected consolidated results of operations for the full-term of fiscal 2011 published on May 12, 2010.

## 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 first half 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

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.

#### (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 second quarter each decreased by 20 million yen and the income before income taxes for the same period fell by 355 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 adoption of the “Cabinet Office Ordinance Partially Revising Regulation on 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 consolidated financial statements for the first half 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 first half (September 30, 2010)	Summarized consolidated balance sheet for the end of the previous consolidated fiscal year (March 31, 2010)
<b>Assets</b>		
Current assets		
Cash and deposits	28,883	27,194
Notes and accounts receivable-trade	251,904	251,465
Short-term investment securities	501	2,099
Merchandise and finished goods	58,207	55,776
Other	27,260	28,452
Allowance for doubtful accounts	- 430	-523
<b>Total current assets</b>	<b>366,326</b>	<b>364,464</b>
Noncurrent assets		
Property, plant and equipment	59,261	58,273
Intangible assets		
Goodwill	15,899	15,535
Other	2,670	2,943
<b>Total intangible assets</b>	<b>18,569</b>	<b>18,478</b>
Investments and other assets		
Other	50,655	51,136
Allowance for doubtful accounts	- 2,751	-2,900
<b>Total investments and other assets</b>	<b>47,903</b>	<b>48,236</b>
<b>Total noncurrent asset</b>	<b>125,735</b>	<b>124,988</b>
<b>Total assets</b>	<b>492,061</b>	<b>489,452</b>



(Million of yen)

	End of consolidated this first half (September 30, 2010)	Summarized consolidated balance sheet for the end of the previous consolidated fiscal year (March 31, 2010)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	317,194	312,833
Short-term loans payable	10,654	14,124
Current portion of bonds	197	245
Income taxes payable	2,697	4,216
Provision for bonuses	3,165	3,104
Provision for directors' bonuses	66	80
Provision for sales returns	309	304
Asset retirement obligations	45	—
Other	6,643	7,487
Total current liabilities	340,974	342,396
Noncurrent liabilities		
Bonds payable	362	372
Long-term loans payable	22,012	20,212
Provision for retirement benefits	3,445	4,583
Provision for loss on guarantees	186	—
Negative goodwill	4,178	5,217
Asset retirement obligations	688	—
Other	15,788	15,831
Total noncurrent liabilities	46,660	46,217
Total liabilities	387,635	388,613
<b>Net assets</b>		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	42,884	42,535
Retained earnings	55,187	52,302
Treasury stock	-47	-1,060
Total shareholders' equity	108,674	104,427
Unrealized gains on revaluation		
Valuation difference on available-for-sale securities	241	884
Revaluation reserve for land	-4,572	-4,572
Total unrealized gains on revaluation	-4,331	-3,688
Subscription rights to shares	62	62
Minority interests	20	37
Total net assets	104,426	100,838
Total liabilities and net assets	492,061	489,452

(2) Quarterly Consolidated Profit and Loss Statement  
[Cumulative Period for the First Half of the Fiscal Year (consolidated)]

(Million of yen)

	Cumulative period for previous consolidated second quarter (from April 1, 2009 to September 30, 2009)	Cumulative period for this consolidated second quarter (from April 1, 2010 to September 30, 2010)
Net sales	476,564	519,858
Cost of sales	440,491	474,862
Gross profit	36,073	44,995
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	15,749	19,271
Provision for bonuses	2,694	3,137
Provision for directors' bonuses	36	66
Provision for accrued retirement benefits for employees	125	238
Welfare expenses	2,620	3,215
Vehicle expenses	504	715
Provision of allowance for doubtful accounts	12	-
Depreciation	1,164	1,328
Amortization of goodwill	1,021	1,056
Rent expenses	2,842	3,514
Taxes and dues	427	558
Other	5,958	6,834
Total selling, general and administrative expenses	33,157	39,935
Operating income	2,916	5,060
Non-operating income		
Interest income	53	85
Dividend income	302	396
Commission fee	1,043	1,298
Amortization of negative goodwill	680	1,039
Equity in earnings of affiliates	34	54
Other income	502	725
Total non-operating income	2,617	3,601
Non-operating expenses		
Interest expenses	146	321
Loss before deduction of temporary consumption tax payment	846	1,090
Miscellaneous loss	108	108
Total non-operating expenses	1,101	1,520
Ordinary income	4,432	7,140

(Million of yen)

	Cumulative period for previous consolidated second quarter (from April 1, 2009 to September 30, 2009)	Cumulative period for this consolidated second quarter (from April 1, 2010 to September 30, 2010)
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	64	59
Gains on sales of investment securities	0	162
Reversal of allowance for doubtful accounts	-	91
Gain on transfer of business	27	9
Gain on liquidation of subsidiaries and affiliates	21	-
Other	5	50
<b>Total extraordinary income</b>	<b>118</b>	<b>373</b>
<b>Extraordinary loss</b>		
Loss on disposal of noncurrent assets	25	90
Impairment loss	51	-
Loss on revision of retirement benefit plan	-	107
Provision for loss on guarantees	-	186
Provision of allowance for doubtful accounts	226	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	334
Other	42	104
<b>Total extraordinary loss</b>	<b>346</b>	<b>824</b>
Income before income taxes	4,204	6,689
Income taxes-current	1,875	3,624
Income taxes-deferred	42	-607
<b>Total income taxes</b>	<b>1,918</b>	<b>3,016</b>
Income before minority interests	-	3,673
Minority interests in income	-	-19
<b>Current net income</b>	<b>2,286</b>	<b>3,692</b>

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

(Million of yen)

	Accounting period for this consolidated second quarter (from July 1, 2009 to September 30, 2009)	Accounting period for this consolidated second quarter (from July 1, 2010 to September 30, 2010)
Net sales	243,661	261,071
Cost of sales	225,486	238,542
Gross profit	18,175	22,528
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	7,794	9,707
Provision for bonuses	1,355	1,594
Provision for directors' bonuses	17	30
Provision for accrued retirement benefits for employees	50	104
Welfare expenses	1,299	1,649
Vehicle expenses	273	376
Provision of allowance for doubtful accounts	-4	-
Depreciation	594	650
Amortization of goodwill	507	554
Rent expenses	1,416	1,795
Taxes and dues	235	274
Other	3,016	3,503
Total selling, general and administrative expenses	16,557	20,242
Operating income	1,617	2,286
Non-operating income		
Interest income	33	47
Dividend income	8	4
Commission fee	571	678
Amortization of negative goodwill	340	519
Equity in earnings of affiliates	33	13
Other income	247	400
Total non-operating income	1,233	1,664
Non-operating expenses		
Interest expenses	75	166
Loss before deduction of temporary consumption tax payment	407	537
Miscellaneous loss	62	53
Total non-operating expenses	544	757
Ordinary income	2,307	3,193

(Million of yen)

	Accounting period for this consolidated second quarter (from July 1, 2009 to September 30, 2009)	Accounting period for this consolidated second quarter (from July 1, 2010 to September 30, 2010)
Extraordinary income		
Gain on sales of noncurrent assets	35	59
Gains on sales of investment securities	-	154
Reversal of allowance for doubtful accounts	-	41
Gain on liquidation of subsidiaries and affiliates	21	-
Other	-	50
Total extraordinary income	56	305
Extraordinary loss		
Loss on disposal of noncurrent assets	9	79
Impairment loss	30	-
Loss on revision of retirement benefit plan	-	107
Provision for loss on guarantees	-	186
Provision of allowance for doubtful accounts	53	-
Other	22	15
Total extraordinary loss	115	389
Income before income taxes	2,248	3,110
Income taxes-current	538	1,049
Income taxes-deferred	452	344
Total income taxes	991	1,394
Income before minority interests	-	1,715
Minority interests in income	-	-7
Current net income	1,257	1,722

## (3) Quarterly Consolidated Statements of Cash Flows

(Million of yen)

	Cumulative period for previous consolidated first half (from April 1, 2009 to September 30, 2009)	Cumulative period for this consolidated first half (from April 1, 2010 to September 30, 2010)
Net cash provided by (used in) operating activities		
Income before income taxes	4,204	6,689
Depreciation and amortization	1,164	1,328
Impairment loss	51	-
Amortization of goodwill	1,021	1,056
Amortization of negative goodwill	-680	-1,039
Increase (decrease) in provision for retirement benefits	-13	-1,161
Increase (decrease) in provision for sales returns	4	5
Increase (decrease) in provision for bonuses	-8	29
Increase (decrease) in provision for directors' bonuses	-43	-13
Increase (decrease) in allowance for doubtful accounts	-139	-242
Increase (decrease) in provision for loss on guarantees	-	186
Interest and dividend income	-356	-482
Interest expense	146	321
Loss (gain) on sales and retirement of noncurrent assets	-38	31
Loss (gain) on sales and valuation of investment securities	32	-60
Loss on valuation of golf club memberships	-	0
Decrease (increase) in notes and accounts receivable-trade	-27,295	272
Decrease (increase) in inventories	-2,422	-2,265
Decrease (increase) in other assets	-661	1,715
Increase (decrease) in notes and accounts payable-trade	20,168	3,565
Increase (decrease) in other liabilities	1,396	673
Increase (decrease) in accrued consumption taxes	-729	-1,947
Other loss (gain)	-573	-326
Subtotal	-4,771	8,336
Interest and dividends income received	367	486
Interest expenses paid	-140	-302
Income taxes paid	-889	-4,815
Other	1,329	1,748
Net cash provided by (used in) operating activities	-4,105	5,453

(Million of yen)

	Cumulative period for previous consolidated first half (from April 1, 2009 to September 30, 2009)	Cumulative period for this consolidated first half (from April 1, 2010 to September 30, 2010)
Net cash provided by (used in) investment activities		
Payments into time deposits	-314	-192
Proceeds from withdrawal of time deposits	1,071	1,204
Proceeds from sales of short-term investment securities	-	1,598
Purchase of property, plant and equipment	-2,018	-1,451
Proceeds from sales of property, plant and equipment	259	213
Purchase of intangible assets	-158	-316
Proceeds from sales of intangible assets	6	27
Purchase of investment securities	-95	-47
Proceeds from sales of investment securities	632	494
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	460	-
Purchase of stocks of subsidiaries and affiliates	-75	-238
Payments of loans receivable	-625	-1,040
Collection of loans receivable	158	213
Other	-522	-314
Net cash provided by (used in) investment activities	-1,220	151
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-945	-4,723
Proceeds from long-term loans payable	16,400	7,435
Repayment of long-term loans payable	-533	-4,811
Payments for retirement by purchase of bonds	-	-34
Redemption of bonds	-8	-95
Purchase of treasury stock	-0	-0
Repayments of finance lease obligations	-367	-361
Cash dividends paid	-587	-588
Net cash provided by (used in) financing activities	13,957	-3,179
Net increase (decrease) in cash and cash equivalents	8,631	2,425
Cash and cash equivalents at beginning of year	13,091	22,645
Increase in cash and cash equivalents resulting from merger	433	-
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	410	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	22,286	25,327

(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 first half (from April 1, 2009 to September 30, 2009)

	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO and CRO (million yen)	Total (million yen)	Eliminations or corporate (million yen)	Consolidated (million yen)
Net Sales						
(1) Net sales to external customers	450,510	25,795	259	476,564	—	476,564
(2) Inter-segment internal net sales or transfers	12,011	5	—	12,016	(12,016)	—
Total	462,521	25,800	259	488,581	(12,016)	476,564
Operating income	1,782	1,115	-39	2,858	57	2,916

(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) SMO and CRO..... SMO and CRO services

[Segmental Information according to Geographical Locations]

Cumulative period for previous consolidated first half (from April 1, 2009 to September 30, 2009)

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

[Overseas Sales]

Cumulative period for previous consolidated first half (from April 1, 2009 to September 30, 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 first half (from April 1, 2010 to September 30, 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	487,562	31,683	202	408	519,858	—	519,858
(2) Inter-segment internal net sales or transfers	15,631	8	—	73	15,713	-15,713	—
Total	503,194	31,692	202	482	535,571	-15,713	519,858
Segment income	4,391	1,058	-43	-251	5,155	-95	5,060

(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.