



Summary of Consolidated Financial Results for the First Quarter of Fiscal 2007

Aug 2, 2006

Name of Listed Company: Toho Pharmaceutical Co., Ltd.

Listed: Tokyo Stock Exchange

(URL: <http://www.tohoyk.co.jp>)

(Securities Code Number: 8129)

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1. Basis for Preparation of Quarterly Financial Information

① Simplified methods of accounting: Adopted

- (1) Accounting for inventories Inventory amounts are stated on an as-booked basis
- (2) Accounting for income taxes Based on pro forma annual effective tax rate
- (3) Certain other items are accounted for using simplified procedures, provided they are insignificant in relative value

② Accounting principles compared with most recently completed fiscal year: Unchanged

③ Scope of consolidation and application of equity method: Changed

Consolidation: 2 companies newly added; None excluded - Equity method: None newly added; None excluded

2. Consolidated Results of Operations during the First Quarter of Fiscal 2007 (from April 1, 2006 to June 30, 2006)

(1) Consolidated Results of Operations

(Amounts are truncated to the nearest million yen)

	Net Sales	Operating Income	Ordinary Income	Net Income for First Quarter
	Million Yen (%)	Million Yen (%)	Million Yen (%)	Million Yen (%)
First Quarter of Fiscal 2007	190,884 (11.7)	2,246 (247.0)	3,174 (158.9)	1,916 (188.7)
First Quarter of Fiscal 2006	170,821 (24.7)	647 (-57.5)	1,226 (-42.7)	663 (-45.6)
(Reference) Fiscal 2006	706,488	6,104	8,889	3,612

	Net Income per Share	Net Income per Share - Diluted
	Yen	Yen
First Quarter of Fiscal 2007	33.16	30.27
First Quarter of Fiscal 2006	13.87	12.44
(Reference) Fiscal 2006	72.26	65.02

(Note) Year-on-year changes in net sales, operating income, and other results are shown in percentage terms.

[Qualitative Information on Year-to-Date Consolidated Results of Operations]

Japan's economy has exited its protracted deflationary environment and is headed for a phase of stable growth. The pharmaceutical industry, reputed to be of essential benefit to the public's health and well-being, has seen National Health Insurance drug prices reduced by an average of 6.7%, as this is a year when the NHI drug list is revised. We are now in the early stages of negotiating prices with our individual customers, in which our stance is uncompromising, as we are determined to ensure appropriate profit margins, as articulated in our Medium-Term Management Plan. Our approach is to seek complete freedom from price competition by virtue of a stable customer base highly appreciative of our ENIF and other proprietary customer support systems.

This has enabled us to get off to a steady start in achieving our goals for the current fiscal year ending in March 2007, since our first-quarter results showed both revenues and earnings advancing strongly.

Net sales were up by 11.7% on a year-on-year basis, as co-purchasing practices contributed to increased supplies, while the Kyoso Mirai Group accelerated proposal-based marketing approaches and joint sales promotions.

Gross income was up by 30.5% year-on-year to 8.1% of net sales, owing to reviewed trading relationships that were unprofitable, stepped-up deployment of the Price Lock System designed to secure adequate profit margins, and tenacious marketing efforts oriented toward profitability.

As a result of these, during the first fiscal quarter under review, the Company's consolidated net sales amounted to 190,884 million yen (a year-on-year increase of 11.7%), ordinary income amounted to 3,174 million yen (a year-on-year increase of 158.9%), and net income amounted to 1,916 million yen (a year-on-year increase of 188.7%).

The Company's move as of April 1, 2006, to make Tsuruhara Yoshii (headquartered in Kumamoto City) its consolidated subsidiary secured the Group an extended trading area covering the entire region of Kyushu. The Company is scheduled to merge into itself Tokai Toho, its wholly-owned subsidiary, as of October 1, 2006, with a view to reinforcing its marketing operations in the Tokai district.

(2) Consolidated Financial Position

(Amounts are truncated to the nearest million yen)

	Total Assets	Net assets	Shareholders' Equity Ratio	Net assets per Share
	Million Yen	Million Yen	%	Yen
First Quarter of Fiscal 2007	385,934	73,116	17.4	1,162.48
First Quarter of Fiscal 2006	336,146	49,435	14.7	1,032.43
(Reference) Fiscal 2006	358,146	56,916	15.9	1092.58

[Consolidated Cash Position]

(Amounts are truncated to the nearest million yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
	Million Yen	Million Yen	Million Yen	Million Yen
First Quarter of Fiscal 2007	12,693	-2,845	-6,542	38,311
First Quarter of Fiscal 2006	5,946	4,425	-1,155	32,619
Fiscal 2006	4,613	3,593	2,514	34,124

[Qualitative Information on Changes in Consolidated Financial Position]

• Changes in Consolidated Financial Position

The changes in the Company's financial position during the first fiscal quarter under review since the end of the preceding fiscal year are discussed below:

Total assets were up by 27,517 million yen, compared with the end of the preceding year, to 385,934 million yen.

On the assets side, current assets were up by 20,663 million yen. Among the major factors were an increase of 13,410 million yen in trade notes and accounts receivable and an increase of 3,491 million in inventories. Fixed assets were up by 6,854 million yen.

On the liabilities side, current liabilities were up by 20,330 million yen. Among the major factors were an increase of 24,928 million yen in trade notes and accounts payable and a decrease of 5,097 million yen in short-term loans payable as a result of repayment. Long-term liabilities were down by 3,208 million yen.

Net assets were up by 16,199 million yen. This reflected an increase of 9,283 million yen in capital surplus and the reclassification into net assets of minority interests in consolidated subsidiaries, which stood at 5,981 million yen.

• Consolidated Cash Flows during First Fiscal Quarter

Consolidated cash and cash equivalents (hereinafter referred to as "cash") at the end of the first quarter of the current fiscal year were up by 4,186 million yen, compared with the end of the preceding year. Accordingly, the consolidated cash balance at the end of the first quarter under review came to 38,311 million yen.

The three categories of cash flows during the first fiscal quarter under review, as well as the factors that caused them, are discussed below:

(Cash Flows from Operating Activities)

Operating activities generated a net capital increase of 12,693 million yen.

This primarily reflected income before tax and other adjustments of 3,178 million yen, a decrease in purchase rebates receivable of 1,737 million yen, and an increase in purchases payable of 11,889 million yen. Meanwhile, sales receivable increased by 2,646 million yen, and 2,172 million yen was outlaid to pay income taxes.

The substantial increase in purchases payable reflected a first-quarter decrease in payments for purchases payable following the curbing of purchases during the preceding fiscal year ahead of the revision of NHI drug prices.

(Cash Flows from Investing Activities)

Investing activities generated a net cash decrease of 2,845 million yen.

This primarily reflected an outlay of 1,908 million yen for the acquisition of stocks in subsidiaries.

(Cash Flows from Financing Activities)

Financing activities generated a net cash decrease of 6,542 million yen.

This primarily reflected an outlay of 5,354 million yen to repay loans payable, an outlay of 522 million yen to reacquire our own company shares, and a cash dividend payout of 520 million yen.

3. Projected Results of Operations during Fiscal Year 2007 (from April 1, 2006 to March 31, 2007)

	Net Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
First Half of Year	371,600	5,300	2,800
Full Year	760,000	11,100	5,500

(Reference) Projected net income per share during full year: 95.11 yen

* Projected results of operations are based on information available as of the date of announcement hereof, and actual results of operations may differ from the projections depending on a variety of factors that may occur subsequently.

[Qualitative Information on Projected Results of Operations]

The Company's projected results of operations during the current fiscal year remain the same as announced on May 11, 2006.

1. (Summary) Quarterly Consolidated Balance Sheets of the First Quarter

(Millions of yen, %)

Account	First Quarter Of Fiscal 2007	First Quarter Of Fiscal 2006	Increase (Decrease)		(Reference) Fiscal 2006
	Amount	Amount	Amount	%	Amount
(Assets)					
I Current assets					
1. Cash on hand and on deposit	36,363	32,662			33,511
2. Notes and accounts receivable	198,611	181,639			185,200
3. Marketable securities	3,496	2,495			2,495
4. Inventories	47,997	40,326			44,505
5. Deferred tax assets	1,382	1,131			1,196
6. Purchase rebates receivable	10,181	10,251			10,938
7. Other	8,663	7,933			8,013
Allowance for doubtful receivables	-466	-310			-295
Total current assets	306,229	276,130	30,099	10.9	285,566
II Fixed assets					
1. Property, plant and equipment					
(1) Buildings and structures	14,057	13,138			12,965
(2) Land	29,359	23,805			25,003
(3) Other	2,029	1,528			1,800
Total property, plant and equipment	45,446	38,472			39,769
2. Intangible fixed assets	2,448	2,849			3,245
3. Investments and other assets					
(1) Investments in securities	27,844	14,307			26,223
(2) Deferred income taxes	68	125			69
(3) Deferred tax assets due to revaluation	—	1,547			—
(4) Other	4,726	3,643			4,397
Allowance for doubtful receivables	-830	-929			-855
Total investments and other assets	31,809	18,694			29,835
Total fixed assets	79,704	60,016	19,688	32.8	72,850
Total assets	385,934	336,146	49,788	14.8	358,416

(Millions of yen, %)

Account	First Quarter of Fiscal 2007	First Quarter of Fiscal 2006	Increase (Decrease)		(Reference) Fiscal 2006
	Amount	Amount	Amount	%	Amount
(Liabilities)					
I Current liabilities					
1. Notes and accounts payable	269,750	240,668			244,821
2. Short-term loans payable	5,392	10,003			10,489
3. Income taxes payable	1,157	532			2,000
4. Accrued expenses	1,652	11,597			1,397
5. Accrued bonuses	3,474	2,963			2,094
6. Reserve for sales returns	313	328			291
7. Other	2,944	3,737			3,258
Total current liabilities	284,684	259,833	24,851	9.6	264,354
II Long-term liabilities					
1. Bonds payable	9,600	10,000			10,000
2. Long-term debt	720	2,013			763
3. Deferred tax liabilities	8,930	3,518			7,564
4. Accrued retirement benefits for employees	3,611	4,064			3,603
5. Accrued retirement benefits for directors and corporate auditors	215	1,002			904
6. Liabilities resulted from the investments in affairs	7	22			11
7. Consolidation adjustments	—	3,445			4,133
8. Deferred tax liabilities due to revaluation	1,417	110			1,417
9. Other	3,630	0			2,942
Total long-term liabilities	28,133	24,178	3,955	16.4	31,341
Total liabilities	312,817	284,012	28,805	10.1	295,695

(Millions of yen, %)

Account	First Quarter of Fiscal 2007	First Quarter of Fiscal 2006	Increase (Decrease)		(Reference) Fiscal 2006
	Amount	Amount	Amount	%	Amount
(Net assets)					
I Shareholder's equity					
1. Common stock	10,599	—			—
2. Capital surplus	23,566	—			—
3. Retained earnings	36,529	—			—
4. Treasury stock	-1,794	—			—
Total shareholder's capital	68,901	—	—	—	—
II Evaluation, conversion balance					
1. Unrealized gains on available-for-sale securities	3,212	—			—
2. Unrealized gains on revaluation of land	-4,889	—			—
Total valuation and translation differences	-1,676	—	—	—	—
III Minority interests	5,891	—	—	—	—
Total net assets	73,116	—	—	—	—
Total liabilities, and net assets	385,934	—	—	—	—
(Minority interests)					
Minority interests	—	2,699	—	—	5,804
(Shareholders' equity)					
I Common stock	—	7,003	—	—	10,399
II Capital surplus	—	10,886	—	—	14,282
III Retained earnings	—	32,379	—	—	35,184
IV Unrealized gains on revaluation of land	—	-2,277	—	—	-4,889
V Unrealized gains on available- for-sale securities	—	1,800	—	—	3,207
VI Treasury stock	—	-356	—	—	-1,268
Total shareholders' equity	—	49,435	—	—	56,916
Total liabilities, minority interests and shareholders' equity	—	336,146	—	—	358,416

(Note) Under the former classification regime, "total shareholders' equity" would be valued at 67,224 million yen at the end of the first fiscal quarter under review.

"Total net assets" would have been valued at 52,134 million yen at the end of the first quarter of the preceding fiscal year and at 62,720 million yen at the end of the preceding fiscal year, which ended in March 2006.

2. (Summary) Consolidated Statements of Income of First Quarter

(Millions of yen, %)

Account	First Quarter of Fiscal 2007	First Quarter of Fiscal 2006	Increase (Decrease)		(Reference) Fiscal 2006
	Amount	Amount	Amount	%	Amount
I Net sales	190,884	170,821	20,063	11.7	706,488
II Cost of sales	175,383	158,943	16,440	10.3	654,568
Gross income	15,500	11,877	3,623	30.5	51,920
Reversal of reserve for sales returns					51
Gross income after reserve for sales returns	15,500	11,877	3,623	30.5	51,971
III Selling, general and administrative expenses	13,253	11,229	2,024	18.0	45,867
Operating income	2,246	647	1,599	247.0	6,104
IV Non-operating income					
1. Interest income	15	15			59
2. Dividend income	147	92			191
3. Fee income	379	301			1,440
4. Amortization of negative goodwill	332				
5. Amortization of consolidation adjustments		176			840
6. Equity in earnings of investees	18	4			87
7. Miscellaneous income	193	154			779
Total non-operating income	1,085	744	341	45.8	3,400
V Non-operating expenses					
1. Interest expenses	29	43			165
2. Loss before deduction of temporary consumption tax payment	107	79			311
3. Miscellaneous losses	20	42			138
Total non-operating expenses	157	165	-8	-5.0	615
Ordinary income	3,174	1,226	1,948	158.9	8,889
VI Extraordinary gains					
1. Gains on sales of fixed assets (Note 1)	0				175
2. Gains on sales of investment securities	1	0			25
3. Reversal of allowance for doubtful receivables	20	31			
4. Gain due to switchover to defined contribution pension program					33
5. Gain on cancellation of insurance reserve fund					28
6. Other		1			16
Total extraordinary gains	22	33	-11	-33.2	279
VII Extraordinary losses					
1. Loss on disposal of fixed assets	18	14			479
2. Loss on sale of investment securities					0
3. Loss on sale of golf club memberships		2			2
4. Lump-sum grants to voluntary early retirements					585
5. Loss due to switchover to defined contribution pension program					221
6. Impairment loss					611
7. Other		0			204
Total extraordinary losses	18	18			2,106
Income before income taxes	3,178	1,240	1,938	156.1	7,061
Adjustments for income taxes	1,169	546	623	114.0	3,228
Minority interests	91	30	61	203.7	220
Net income	1,916	663	1,253	188.7	3,612

3. Quarterly Consolidated Statement of Changes in Shareholders' Equity
Connected accounting period of the first quarter (from April 1, 2006 to June 30, 2006)

(Millions of yen)

	Shareholder's Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholder's Equity
Balance (March 31, 2006)	10,399	14,282	35,184	-1,268	58,598
Changes during first quarter					
New stock issued	200	9,283			9,483
Surplus distributed to shareholders			-520		-520
Bonuses to directors and corporate auditors			-51		-51
Net income			1,916		1,916
Own company stock reacquired				-525	-525
Change (net increase or decrease) in non-shareholders' equity items during first quarter					
Total changes during first quarter	200	9,283	1,344	-525	10,302
Balance (June 30, 2006)	10,599	23,566	36,529	-1,794	68,901

	Valuation and translation differences			Minority interests	Total net assets
	Unrealized gains on available-for-sale securities	Unrealized gains on revaluation of land	Total valuation and translation differences		
Balance (March 31, 2006)	3,207	-4,889	-1,682	5,804	62,720
Changes during first quarter					
New stock issued					9,483
Surplus distributed to shareholders					-520
Bonuses to directors and corporate auditors					-51
Net income					1,916
Own company stock reacquired					-525
Change (net increase or decrease) in non-shareholders' equity items during first quarter	5		5	87	92
Total changes during first quarter	5		5	87	10,395
Balance (June 30, 2006)	3,212	-4,889	-1,676	5,891	73,116

4. Consolidated Statements of Cash Flows (Summary)

(Millions of yen)

	First Quarter of Fiscal 2007 〔 From April 1, 2006 〕 To June 30, 2006	First Quarter of Fiscal 2006 〔 From April 1, 2005 〕 To June 30, 2005	(Reference) Fiscal 2006
	Amount	Amount	Amount
I Cash flows from operating activities			
Income before income taxes	3,178	1240	7,061
Depreciation	475	454	1,904
Loss on impairment			611
Amortization of goodwill	335		
Amortization of negative goodwill	-332		
Amortization of consolidation adjustments		-176	-840
Equity in earnings of investees	-18	-4	-87
Increase (decrease) in accrued employees' retirement benefits	8	48	-1,629
Increase (decrease) in accrued directors' retirement benefits	-846	-4	-323
Decrease in reserve for sales returns			-51
Increase (decrease) in accrued bonuses	1,159	962	-37
Decrease in allowance for doubtful receivables	-24	-31	-227
Increase in trade receivables	-2,646	-4,181	-4,778
Decrease (increase) in inventories	-813	117	-1,508
Decrease in purchase rebates receivable	1,737	816	708
Decrease (increase) in other assets	309	-12	-2,032
Increase in trade payables	11,889	7,098	5,246
Increase(decrease) in other liabilities	645	-308	726
Increase (decrease) in accrued consumption taxes	-195	220	136
Payment of directors' bonuses	-61	-45	-45
Others	-561	-380	-555
Subtotal	14,238	5,812	4,277
Payment of income taxes	-2,172	-406	-1,131
Others	627	540	1,467
Net cash provided by operating activities	12,693	5,946	4,613
II Cash flows from investing activities			
Payment for addition to time deposits	-67	-151	-371
Proceeds from refunds of time deposits	442	2,488	5,430
Payment for acquisition of tangible fixed assets	-447	-200	-907
Proceeds from sale of tangible fixed assets	12	359	1,476
Payment for acquisition of software	-65	-124	-529
Payment for acquisition of investment securities	-26	-24	-1,895
Proceed from sale of investment securities	5	0	70
Payment for acquisition of stocks in subsidiaries accompanied by changes in consolidation	-1,841		-1,130
Payment for acquisition of stocks in subsidiaries	-66	-22	-81
Payment for acquisition of other investments	-82	-18	-779
Proceeds from sale of other investments	14	2,113	2,479
Others	-722	6	-166
Net cash provided by (used in) investing activities	-2,845	4,425	3,593
III Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	-5,284	-614	-1,693
Proceeds from long-term debt			250
Payment for repayment of long-term debt	70	-52	-1,588
Proceeds from share issue			6,792
Proceeds from minority shareholders' payment			143
Payment for acquisition of own stock	-522	0	-912
Payment for satisfaction of finance lease liabilities	-129		
Payment of cash dividends	-520	-475	-465
Payment of cash dividends to minority shareholders	-14	-11	-11
Net cash provided by financing activities	-6,542	-1,155	2,514
IV Increase in cash and cash equivalents	3,306	9,216	10,721
V Cash and cash equivalents at beginning of year	34,124	22,880	22,880
VI Increase in cash and cash equivalents due to stock swapping	879	522	522
VII Cash and cash equivalents at end of first quarter	38,311	32,619	34,124

5. Segmental Information

[Segmental Information according to Types of Business]

First Quarter (from April 1, 2006 to June 30, 2006)

(Millions of yen)

	Pharmaceutical	Information Processing	CRO and SMO	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to external customers	190,669	14	200	190,884		190,884
(2) Inter-segment internal net sales or transfers	29	230		260	(260)	
Total	190,699	244	200	191,144	(260)	190,884
Operating expense	188,200	236	257	188,694	(56)	188,637
Operating income	2,498	8	-56	2,449	(203)	2,246

First Quarter (from April 1, 2005 to June 30, 2005)

(Millions of yen)

	Pharmaceutical	Information Processing	CRO and SMO	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to external customers	170,522	25	273	170,821		170,821
(2) Inter-segment internal net sales or transfers	29	250		280	(280)	
Total	170,552	276	273	171,101	(280)	170,821
Operating expense	169,710	272	240	170,223	(50)	170,173
Operating income	841	3	33	877	(230)	647

(Reference) Fiscal 2006 (from April 1, 2005 to March 31, 2006)

(Millions of yen)

	Pharmaceutical	Information Processing	CRO and SMO	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to external customers	705,283	116	1,088	706,488		706,488
(2) Inter-segment internal net sales or transfers	119	1,093		1,213	(1,213)	
Total	705,403	1,210	1,088	707,701	(1,213)	706,488
Operating expense	698,633	1,151	998	700,783	(398)	700,384
Operating income	6,769	58	90	6,918	(814)	6,104

[Segmental Information according to Geographical Locations]

First fiscal quarter under review (First quarter of fiscal year 2007)

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

Previous first fiscal quarter (First quarter of fiscal year 2006)

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

(Reference) Previous fiscal year (Fiscal year 2006)

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

[Overseas Sales]

First fiscal quarter under review (First quarter of fiscal year 2007)

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

Previous first fiscal quarter (First quarter of fiscal year 2006)

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

(Reference) Previous fiscal year (Fiscal year 2006)

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

6. State of Purchasing and Selling

(1) Historical purchases

Business segment	First Quarter of Fiscal 2007		First Quarter of Fiscal 2006		(Reference) Fiscal 2006	
	〔 From April 1, 2006 To June 30, 2006 〕		〔 From April 1, 2005 To June 30, 2005 〕			
	Amount (million yen)	Share (%)	Amount (million yen)	Share (%)	Amount (million yen)	Rate (%)
Pharmaceutical	176,068	100.0	158,616	100.0	655,938	100.0
Information processing	9	0.0	18	0.0	54	0.0
Total	176,078	100.0	158,635	100.0	655,992	100.0

(Note) Inter-segment transactions are stated in net terms for elimination.

(2) Historical sales

2) Historical sales

Business segment	First Quarter of Fiscal 2007		First Quarter of Fiscal 2006		(Reference) Fiscal 2006	
	〔 From April 1, 2006 To June 30, 2006 〕		〔 From April 1, 2005 To June 30, 2005 〕			
	Amount (million yen)	Share (%)	Amount (million yen))	Share (%)	Amount (million yen)	Rate (%)
Pharmaceutical	190,669	99.9	170,522	99.8	705,283	99.8
Information processing	14	0.0	25	0.0	116	0.0
SMO	200	0.1	273	0.2	1,088	0.2
Total	190,884	100.0	170,821	100.0	706,488	100.0

(Notes) Inter-segment transactions are stated in net terms for elimination.