Summary of Consolidated Financial Results of Fiscal 2007

May 10, 2007

Name of Listed Company: Toho Pharmaceutical Co., Ltd. Listed: Tokyo Stock Exchange
Securities Code Number: 8129 URL: http://www.tohoyk.co.jp
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Planned Date of General Meeting of Shareholders: June 28, 2007 Planned Date of Dividends Payment: June 29, 2007
Planned Date of Filing of Annual Securities: June 28, 2007

(Amounts are truncated to the nearest million yen.)

1. Consolidated Results of Operations for the March 2007 (from April 1, 2006 to March 31, 2007)

(1) Consolidated Results of Operations

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	%
Fiscal 2007	773,436	(9.5)	9,335	(52.9)	13,104	(47.4)	7,218	(99.8)
Fiscal 2006	706,488	(17.0)	6,104	(78.7)	8,889	(53.4)	3,612	(6.1)

	Current Net Income per share	Current Net Income per share - Diluted	Return on Equity	Ordinary Income/ Total Assets	Operating Income/ Net Sales
	Yen	Yen	%	%	%
Fiscal 2007	125.82	115.10	11.3	3.5	1.2
Fiscal 2006	72.26	65.02	6.9	2.6	0.9

(reference) Equity in earnings (losses) of equity-method investees : Fiscal 2007 : 105 million yen ; Fiscal 2006 : 87 million yen

(2) Consolidated Financial Position

	Total Assets	Shareholder's Equity	Shareholder's Equity	Shareholder's Equity per Share
	Million yen	Million yen	%	Yen
Fiscal 2007	396,447	76,790	17.9	1,247.22
Fiscal 2006	358,416	56,916	15.9	1,092.58

(Reference) Fiscal 2007 : 71,048 million yen ; Fiscal 2006 : ─ million yen

(3) Consolidated Cash Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the term-end
	Million yen	Million yen	Million yen	Million yen
Fiscal 2007	24,273	△ 6,182	△ 9,678	43,429
Fiscal 2006	4,613	3,593	2,514	34,124

2. Historical Payment of Dividends

	Annual Cash Dividend per Share			Total Dividends (Year)	Payout Ratio (Consolidated)	Dividends per Net Assets (Consolidated)
	Midterm	Yearend	Annual			
	Yen	Yen	Yen	Million yen	%	%
Fiscal 2006	─	10.00	10.00	520	13.8	0.9
Fiscal 2007	6.00	6.00	12.00	683	9.5	1.0
Fiscal 2008 (Projected)	6.00	6.00	12.00	─	8.5	─

3. Consolidated Projected Results of Operations during Fiscal Year 2008 (from April 1, 2007 to March 31, 2008)

(The figures in percentages indicate changes from the preceding fiscal year for the year-end and changes from the preceding interim term for the current midterm.)

	Net Sales		Operating Income		Ordinary Income		Current Net Income		Current Net Income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Midterm	382,000	(1.2)	3,870	(△18.1)	5,900	(△10.0)	3,000	(△20.2)	52.66
Yearend	800,000	(3.4)	9,500	(1.8)	13,500	(3.0)	8,000	(10.8)	140.44

4. Others

(1) Changes in material subsidies during the term (changes in special subsidiaries accompanying a change in the scope of consolidation) N.A.

(2) Changes in accounting principles, procedures, presentation methods, etc. concerning the preparation of consolidated financial treatments (to be stated in changes based on the consolidated financial statements presented)

① Changes due to revision of accounting standards, etc. Applicable

② Changes other than ① N.A.

(Note) For details, refer to "(6) Basis of Presenting Consolidated Financial Statements 4. Accounting Principles" on page 28 and "(7) Changes in Basis of Presenting Consolidated Financial Statements" on page 32.

(3) Number of shares outstanding (Common stock)

①	Number of shares outstanding at end of fiscal year (Including common stock for treasury)	Fiscal 2007 : 59,219,061 shares	Fiscal 2006 : 53,157,206 shares
②	The end of the term number of treasury stocks	Fiscal 2007 : 2,253,366 shares	Fiscal 2006 : 1,097,155 shares

(Note) For the number of shares used as the basis for calculating current net income per share (consolidated), please refer to "Information per Share" on page 56.

(reference) Summary of Non-consolidated Financial Statements

1. Non-Consolidated Results of Operations for the March 2007 (from April 1, 2006 to March 31, 2007)

(1) Non-consolidated Results of Operations (The figures in percentages indicate changes year-on-year.)

	Net Sales		Operating Income		Ordinary Income		Current Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2007	729,380	7.3	5,070	53.7	7,181	47.8	3,932	78.1
Fiscal 2006	679,917	16.0	3,299	21.6	4,858	14.9	2,207	50.1

	Current Net Income per Share	Current Net Income per Share - Diluted
	yen	yen
Fiscal 2007	68.51	62.68
Fiscal 2006	43.86	39.47

(2) Non-consolidated Financial Position

	Total Asset	Shareholder's Equity	Shareholder's Equity Ratio	Shareholder's Equity per Share
	Million yen	Million yen	%	yen
Fiscal 2007	370,235	62,396	16.8	1,094.72
Fiscal 2006	321,823	51,576	16.0	989.79

(reference) Shareholder's Equity Fiscal 2007 : 62,374 million yen Fiscal 2006 : — million yen

2. Non-consolidated Projected Results of Operations during Fiscal Year 2008 (from April 1, 2007 to March 31, 2008)

(The figures in percentages indicate changes from the preceding fiscal year for the year-end and changes from the preceding interim term for the current midterm.)

	Net Sales		Operating Income		Ordinary Income		Current Net Income		Current Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
Midterm	376,500	(7.7)	2,110	(△20.2)	3,340	(△9.6)	2,180	(△5.1)	38.26
Yearend	771,700	(5.8)	5,270	(3.9)	7,450	(3.7)	5,100	(29.7)	89.51

* 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.

For further information concerning the projections above, refer to page 4 of the accompanying appendix.

1. Management Result

(1) Analysis Concerning Management Result

(Management Result fore Fiscal 2007)

During the fiscal year under review, the Japanese economy developed steadily against a backdrop of increased capital investment due to improved corporate profits and an upturn in employment. However, the corporate environment is still unclear due to concerns about such influential factors as movements in crude oil prices, changes in interest rates, and sluggish growth in personal income. Conversely, the domestic ethical pharmaceuticals market was influenced by measures to curtail medical expenditures, such as the revision to lower drug prices (6.7% on average), promotion of generic pharmaceuticals, and introduction of DPC. Moreover, the growth rate for the current consolidated fiscal year apparently stands at about 1.8% (based on a preliminary report by Crecon Research & Consulting) for the full year. By therapeutic effects, against the backdrop of a higher awareness about health among Japanese citizens typified by "metabolic syndrome" and a rapidly aging society, drugs for lifestyle-related diseases showed steady growth, while seasonal demand for drugs for colds and influenza failed to gather momentum due to fewer epidemics resulting from a relatively warm winter.

Under such circumstances and line with its corporate slogan of "Total Commitment to Good Health," the Toho Pharmaceutical Group began the first year for the Medium-Term Management Plan for "The Third Founding - Innovation and Creation 07 – 09," and thus positioned the normalization of business (ensuring priority on profitability), greater business efficiencies (exercising synergy effects), higher added business value (innovations in marketing and sales approach styles), and revitalization of organization and human resources as the major issues. By steadily implementing strategies based on individual action plans, the Group has made achievements ahead of the initial schedule.

As for net sales against a backdrop of growing dispensing pharmacy chains, higher consumer purchasing power along with the practice of co-purchasing drugs by medical institutions, and the harsh business environment surrounding medical institutions including revisions of medical treatment fees, price negotiations during this consolidated fiscal year were more difficult than usual, which extended the period with pricing yet to be negotiated. However, net sales totaled 773,436 million yen (up 9.5% year-on-year) due to the penetrating reputation established regarding our proposal-based marketing approach, including use of our proprietary customer support systems such as ENIF, increased supplies to the Kyoso Mirai Group companies, and the addition of subsidiaries into the scope of consolidation.

As for income, the Group reinforced competitiveness not based on prices but on a proposal-based marketing approach centering on business normalization and higher added business value. The Group secured gross income of 63,629 million yen (up 22.4% year-on-year) and made a significant improvement in the percentage of net sales to 8.2%, marking an increase of 0.8 basis point year-on-year, mainly due to group-wide price negotiations that placed priority on profitability, rigorous operation of the Price Lock System to secure appropriate profits, and reviews conducted on unprofitable trade relationships and products.

In terms of SG&A expenses, in addition to such factors as an increased number of consolidated subsidiaries, development of backup systems for mission-critical business operations systems in case of disaster, and increased costs recorded for establishing TBC Tokyo, in order to comply with changes made to the accounting standards, "amortization expenses for goodwill" were posted as SG&A expenses and "amortization expenses for negative goodwill" were also posted as non-operating income from this consolidated fiscal year, and thereby increased SG&A expenses by 668 million yen. As a result, the SG&A expenses totaled 54,294 million yen (up 18.4% year-on-year), which as a percentage of net sales, totaled 7.0% to mark an increase of 0.5 basis point year-on-year and developing almost as planned. This primarily reflected the management of funds in consolidated subsidiaries and the consolidation of general administrative work. In pharmaceutical and other wholesaling operations, the percentage of net sales totaled 6.5%.

Non-operating income posted 1,325 million yen as amortization expenses for negative goodwill. Concerning non-operating expenses, interest expenses improved by 74 million yen on a year-on-year basis due to the Cash Management System (CMS) introduced from this consolidated fiscal year for a more efficient use of funds.

Extraordinary profit included 181 million yen as gains on the sales of shares of affiliated companies resulting from the sales of shareholdings of affiliates accounted for by the equity method. Extraordinary losses included 601 million yen recorded to account for losses from the disposal of fixed assets, such as the sale of dormant real estate and expenditures for dismantling a logistic center in Heiwajima, as well as 485 million yen recorded as impairment loss mainly due to the deteriorated prices of dormant real estate.

In the current consolidated fiscal year, net income consequently totaled 773,436 million yen (up 9.5% from the corresponding period last year), operating income totaled 9,335 million yen (up 52.9% from the corresponding period last year), ordinary income totaled 13,104 million yen (up 47.4% from the corresponding period last year), and current net income totaled 7,218 million yen (up 99.8% from the corresponding period last year).

Segmental results of operations by business type are given below:
In pharmaceutical operations as of April 1, 2006, Tsuruhara Yoshii (based in Kumamoto), whose trading area covers the entire Kyushu region (excluding Okinawa Prefecture), became our wholly owned subsidiary as a result of stock swapping. As of April 1, 2007, Tsuruhara Yoshii merged with Yakushin (based in Fukuoka), our wholly owned subsidiary whose main trading area covered the prefectures of Fukuoka and Nagasaki, and the new company was launched as Kyushu Toho with the objectives of effectively using managerial resources from both companies and reinforcing marketing and sales activities in the Kyushu region. In addition, as of October 1, 2006, Tokai Toho (based in Nagoya), our wholly owned subsidiary whose trading area covered the entire Tokai region, was merged in order to pursue synergy effects and ensure more effective and speedy business management. Moreover, our consolidated subsidiary Yamaguchi Toho (based in Tsuchiura) received the transfer of pharmaceutical wholesaling operations in Ibaraki Prefecture from Iwabuchi Yakuhin of the Ashi-no-kai Group (based in Sakura) as of April 1, 2007, and transferred its pharmaceutical wholesaling operations in Chiba Prefecture to Iwabuchi Yakuhin. As of April 3, 2006, our subsidiary Ethos also acquired all shares of Toyaku that operated 21 dispensing pharmacies (as of March 31, 2007) mainly in the Tokyo Metropolitan area, and included the company within the scope of consolidation. As a result, net sales totaled 772,489 million yen (up 9.5% from the corresponding period last year), and operating income totaled 10,153 million yen (up 50.0% from the corresponding period last year), primarily due to an improved gross profit margin.

In information processing operations, net sales amounted to 972 million yen, a decrease of 19.7% year-on-year mainly due to outsourcing contracts that underwent reviews with the parent company during this term. Consequently, total operating expenses decreased by 233 million yen, while operating income totaled 53 million yen, a decrease of 8.9% year-on-year due to strong sales of inventory management systems for hospitals.

In SMO operations, net sales amounted to 960 million yen, a decrease of 11.7% year-on-year, and operation loss amounted to 81 million yen. These rather sluggish results primarily reflected delays in individual clinical trials and cancellations. In the next term, we intend to achieve a quick recovery in this operation by dispatching the Company's director as representative director.
In other operations, all our shareholdings (50%) of Fisher Scientific Japan ("FSJ Company"), which was within the scope of application of the equity method, were transferred to Fisher Scientific Worldwide as of August 17, 2006.

(Projections for the Next Fiscal Year)
As for future projections, the Japanese economy's upturn initiated by capital investment and exports is expected to continue for the time being. However, there are some concerns over the impact of crude oil prices and changes in interest rates, which should be closely monitored. As for the domestic ethical pharmaceuticals market, it is projected to grow by 3.5% year-on-year (according to Crecon Research & Consulting), but when considering the penetration of measures to curtail medical expenses, the Company's operating environment requires constant and close attention. Under such circumstances, the projections for next fiscal year are for net sales to reach 800,000 million yen (up 103.4% year-on-year), operating income to record 9,500 million yen (up 101.8% year-on-year), ordinary income of 13,500 million yen (up 103.0% year-on-year), and current net income of 8,000 million yen (up 110.8% year-on-year).

(2) Analysis Concerning Financial Position

① State of assets, liabilities, and net assets

(i) Asset

Current assets totaled 308,874 million yen, up 8.2% from the preceding consolidated fiscal year, mainly due to an increase of 8,938 million yen in cash on hand and on deposit, and 9,854 million yen in notes and accounts receivable.

Fixed assets totaled 87,572 million yen, up 20.2% from the preceding consolidated fiscal year, mainly due to an increase of 4,038 million yen in land, and 3,851 million yen in securities investments. The latter primarily reflected new consolidation due to stock swapping with Tsuruhara Yoshii.

As a result, total assets totaled 396,447 million yen, up 10.6% from the preceding consolidated fiscal year.

(ii) Liability

Current liability totaled 287,720 million yen, up 8.8% from the preceding consolidated fiscal year mainly due to an increase of 24,911 million yen in notes and accounts payable.

As a result, total liabilities totaled 319,656 million yen, up 8.1% from the preceding consolidated fiscal year.

(iii) Net assets

Net assets totaled 76,790 million yen, up 34.9% from the preceding consolidated fiscal year mainly due to an increase of 9,315 million yen in capital surplus and 6,177 million yen in retained earnings.

The increase in capital surplus was mainly due to the stock swapping with Tsuruhara Yoshii, and the increase in retained earnings primarily came from a significant increase in current net income. The 5,720 million yen in total minority shares, which also contributed to the increase, should be included in net assets from this consolidated fiscal year.

Net assets per share totaled 1,247.22 yen, up 154.64 yen from the preceding consolidated fiscal year.

Shareholders' equity ratio for this consolidated fiscal year increased to 17.9% from the 15.9% recorded in the preceding consolidated fiscal year.

② Cash Position

Cash and cash equivalents during this consolidated fiscal year increased by 9,305 million yen from the end of the preceding consolidated fiscal year. As a result, the balance at the end of this consolidated fiscal year totaled 43,429 million yen. The following describes the three categories of consolidated cash positions during this consolidated fiscal year, as well as the factors responsible.

(i) Cash Flows from Operating Activities

Operating activities generated a net cash increase of 24,273 million yen (an increase of 19,660 million yen year-on-year). This primarily reflected net interim income before taxes of 11,797 million yen and an increase in trade payables of 11,861 million yen.

(ii) Cash Flows from Investing Activities

Investment activities generated a net cash decrease of 6,182 million yen (a decrease of 9,776 million yen year-on-year). This primarily reflected a payment of 1,808 million yen for acquiring tangible fixed assets, payment for acquiring stock in subsidiaries worth 2,250 million yen, and payment of 1,200 million yen for extended loans.

(iii) Cash Flows from Financing Activities

Investment activities generated a net cash decrease of 9,678 million yen (a decrease of 12,193 million yen year-on-year). This primarily reflected loan repayments of 6,082 million yen, a payment of 2,169 million yen for acquiring treasury stocks, and payment of 862 million yen for dividends.

(Reference) Trends in key indicators of cash flows

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Shareholder's Equity Ratio (%)	16.1	17.0	14.8	15.9	17.9
Shareholder's Equity Ratio (%) at Market Value	7.6	25.0	17.8	25.2	30.6
Ratio of cash flows to interest-bearing debts (%)	178.7	508.4	177.1	244.2	22.3
Interest Coverage Ratio (time)	32.3	11.3	38.1	27.9	251.3

* Shareholders' equity ratio: Shareholders' equity/Total assets
Shareholders' equity ratio at market value: Total market value of stock/Total assets
Ratio of cash flows to interest-bearing debts: interest-bearing debts/operating cash flows
Interest coverage ratio: Cash flows from operating activities/Interest paid

1. All indicators are calculated using consolidated financial data.
2. The total market value of stock is calculated by multiplying the closing price of stock at the end of the fiscal year by the number of shares outstanding at the end of the fiscal year (after adjustment for treasury shares).
3. Cash flows from operating activities correspond to Cash Flows from Operating Activities appearing on the Statements of Consolidated Cash Flows. Interest-bearing debt corresponds to all interest-paying debt as recorded on the Consolidated Balance Sheets. Interest paid corresponds to interest payments appearing on the Statements of Consolidated Cash Flows.

(3) Company's Basic Policy for Allocation of Profit and Dividend for the Current Term and Next Term

The Company prioritizes the recycling of earnings to its shareholders on its list of important management tasks, and recognizes its responsibility to enhance its earnings per share. As far as the allocation of earnings is concerned, we intend to maintain the basic dividend policy of paying stable dividends that take account of year-to-year changes in operational performance. We also seek to retain adequate earnings in order to augment the Company's earning structure and prepare for future market fluctuations. Based on the aforementioned policies, the Company's dividend for the interim term will be 6 yen per share. Together with the 6 yen per share dividend scheduled at the end of the fiscal year, the annual dividend will be 12 yen per share, up 2 yen from the preceding fiscal year. As for the next term, the scheduled dividend is 6 yen per share for the interim term and 6 yen per share for the term-end (and thus 12 yen for the annual dividend).

(4) Business Risks

The major risks relevant to business operations and other affairs of the Company and the Toho Pharmaceutical Group are described below. Discussions about the future that appear in this section reflect observations made by the Company as of the date of releasing financial results contained herein (May 10, 2007).

① Legal Regulations

In pharmaceutical operations as of the end of March 2007, the Toho Pharmaceutical Group, together with the Company's business alliance partners (16 members of the Kyoso Mirai Group), enjoys a combined network of sales bases spanning an archipelago of 43 prefectures, from Hokkaido to Kyushu. The Toho Pharmaceutical Group is subject to the Pharmaceutical Affairs Law, other related laws, and regulations governing the Group's establishment of sales offices.

The Group is subject to the Pharmaceutical Affairs Law, other related laws, and regulations governing the Group's marketing and carrying of pharmaceuticals that entail obtaining various approvals and/or licenses, and filing various notifications by the Group.

② Ramifications of Revision of the NHI Drug Price Standards and Reform of the Health Insurance Regime

The National Health Insurance (NHI) Drug Price Standards list the ethical pharmaceuticals that constitute the Toho Pharmaceutical Group's primary line of products. The NHI Drug Price Standards, also known as the "Methodology for Calculating the Amounts of Expenses Required for Medical Treatments as Prescribed by the Health Insurance Law," are officially published by the Ministry of Health, Labour and Welfare. The Standards provide for the scope of pharmaceuticals available under health insurance coverage and the prices chargeable for pharmaceuticals administered by medical institutions. This means that the NHI Drug Price Standards serve as the ceilings for the sale prices of ethical pharmaceuticals.

The Health, Labour and Welfare Ministry surveys the prevailing sales and purchase prices of ethical pharmaceuticals in the marketplace, and revises the NHI Drug Price Standards to reflect its findings. The Standards were revised during the three consecutive years of 1996, 1997, and 1998 when the NHI prices were cut. The prices were further reduced by 7.0% in April 2000, 6.3% in April 2002, 4.2% in April 2004, and 6.7% in April 2006.

The Toho Pharmaceutical Group's performance tends to be affected by medical institutions refraining from buying pharmaceuticals prior to a revision of the NHI Drug Price Standards and subsequent declines in sale prices following the revision. In addition to revisions of the Standards, the system reforms implemented by the government for sound health insurance finances directly affect the profit structures of medical institutions and dispensing pharmacies that are main customers of the Toho Pharmaceutical Group, and efforts made by medical institutions and dispensing pharmacies to reinforce their management bases, such introducing co-purchasing among public hospitals and expanding scale, including the formation of groups among dispensing pharmacy chains, are more significant than before. Since these efforts can also reinforce purchasing power, medical institutions and dispensing pharmacies tend to further strengthen their policies to reflect the benefits of expanded scale to purchasing prices.

As explained above, there may be implications for performance of the Toho Pharmaceutical Group relative to reform of the health insurance regime and including revision of the NHI Drug Price Standards, depending on how it works out the details.

③ Business Practices Unique to Industry

・Provisional Delivery before Agreement on Sales Prices is Reached

The industry is known for its peculiar business practice whereby prices are not yet determined when a pharmaceutical vendor delivers a shipment to a medical institution. The understanding is that both parties negotiate the price at a later date. This practice has been fostered by the life or death nature of pharmaceutical products that allows no excuse for delaying shipment. Provisional payments are customarily made in reference to the NHI Drug Price Standards, however, before the sale/purchase price is determined.

Conversely, prolonged price negotiations may adversely affect the Toho Pharmaceutical Group's operational results.

・Rebates of Sales and Sales Promotion Cash Incentives

The pharmaceutical distribution business involves the payment of sales rebates and sales promotion incentives to pharmaceutical wholesalers by pharmaceutical manufacturers.

Sales are rebated at rates that typically become progressively higher as the amounts of purchases increase, and pharmaceutical wholesalers can effectively reduce their purchase prices as a result of acquiring sales rebates.

Sales promotion cash incentives are paid pursuant to manufacturer-wholesaler agreements that link payment to the volume of products sold and/or the frequency of shipments to retailers, and have the same effect of reducing purchase prices as sales rebates.

As explained above, rebates of sales and sales promotion incentives can affect the gross profit margin of pharmaceutical wholesalers, and the Toho Pharmaceutical Group has invested in acquiring these payments. This could impact the Toho Pharmaceutical Group's operational results, depending on the marketing strategies of the manufacturers.

④ Information system

In order to pursue greater business efficiencies, standardization, and stronger competitiveness across the Group, the Company has developed an information system that links the whole Group and our customers, and fully uses this information system not only for overall internal operations such as receiving/placing orders, logistic operations, and accounting operations, but also for providing services to customers. Therefore, in the event of contingency disasters such as earthquakes, damage due to strong winds and flooding, large-scale blackout, or telecommunication network failure, there may be detrimental though temporary effects on regular operations.

As a countermeasure, the Company has introduced a two-center system in the east and the west (using data centers established in Tokyo and Osaka to ensure the dual system) to prepare for disasters and failures. However, it is also recognized that even this system may not be able to cover certain situations.

⑤ Receivables Management

Due to government policies intended to curtail medical expenditures, medical institutions and dispensing pharmacies—customers of the Toho Pharmaceutical Group—are facing harsher management conditions. Before extending loans, the Company's credit control and sales departments pay detailed attention to managing credit conditions. However, any unexpected developments on the customer's side that would make debt recovery difficult may affect the operational results and financial position of the Toho Pharmaceutical Group.

2. State of Corporate Group

State of Corporate Group

For the purposes hereof, the Toho Pharmaceutical Group (Toho Pharmaceutical and its associated companies) or simply the "Group" consists of Toho Pharmaceutical or simply the "Company," 27 subsidiaries, and nine affiliates. The Group's primary business operations, connections between these business operations, and their relationships with the segments classified by types of business operations are described below.

The divisions of primary business operations agree with those of segments classified by types of business operations.

(1) Pharmaceutical Operations

The Company, nine subsidiaries (SANUS, Honma Toho, Yamaguchi Toho, Ogawa Toho, Yakushin, Godo Toho, Koyo, Tsuruhara Yoshii, and one other), and two affiliates (Sakai Yakuhin and one other) purchase pharmaceuticals and heath-related products, mainly from pharmaceutical manufacturers, for distribution primarily to hospitals, clinics, and dispensing pharmacies.

As far as the related products purchased from pharmaceutical manufacturers, etc. are concerned, the Company and its consolidated subsidiaries supply these products to six subsidiaries (Ethos, Toyaku, and four others) and six affiliated companies (TRIAD JAPAN and five others). The Company also supplies the products to the nine subsidiaries and two affiliates mentioned above.

(2) Information Processing Operations

Toho System Service, a subsidiary, processes data and creates software on behalf of the Kyoso Mirai Group (the Company and its associated companies and business alliance partners engaged primarily in pharmaceutical wholesaling). Toho System Service, in conjunction with the Company, also distributes software to medical institutions.

(3) Site Management Organization (SMO) Operations

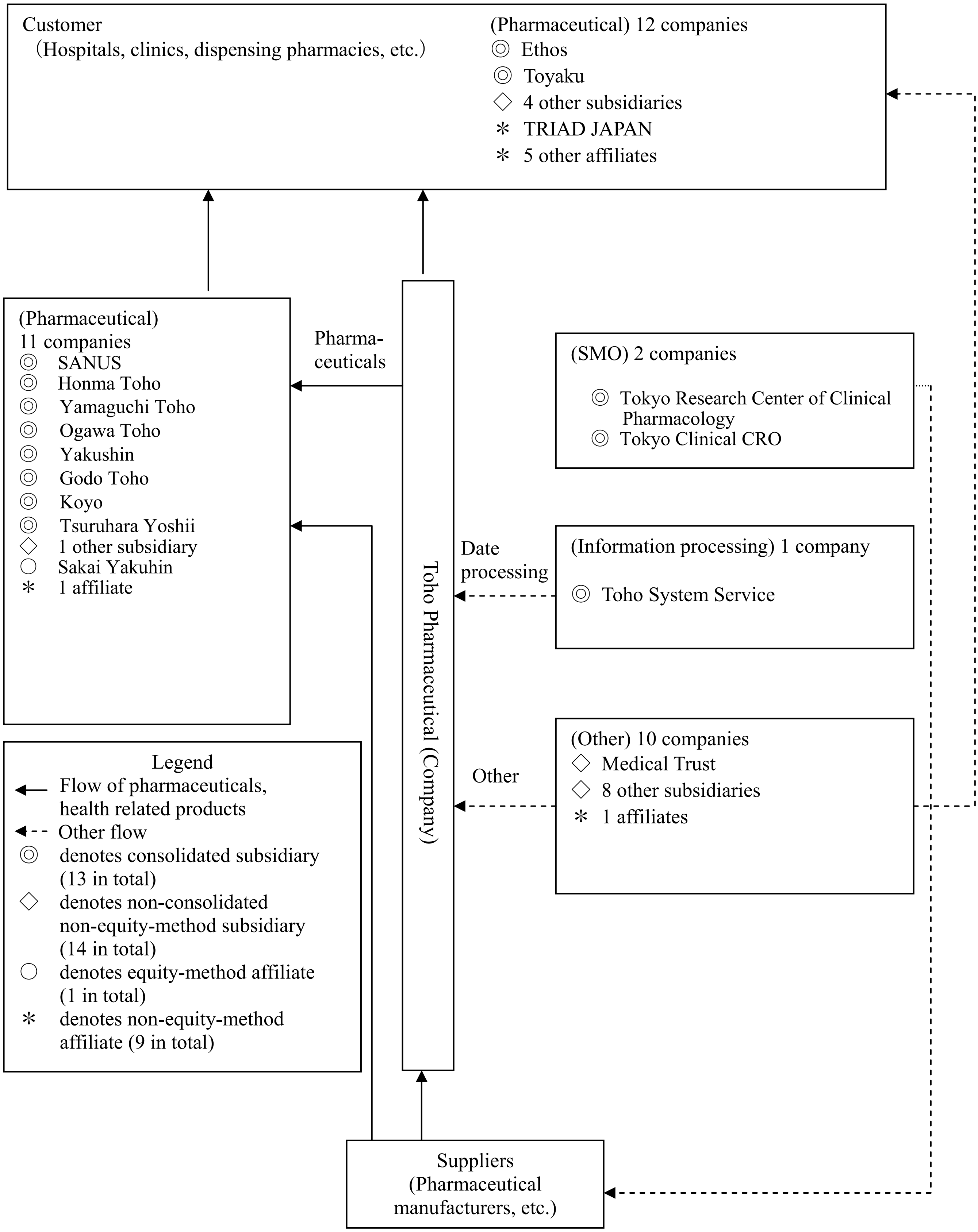
The Tokyo Research Center of Clinical Pharmacology, a subsidiary, undertakes SMO (Site Management Organization) operations.

Tokyo Clinical CRO, a subsidiary, undertakes pharmaceutical development services commissioned by pharmaceutical manufacturers.

(4) Other Operations

Medical Trust, a subsidiary, and nine other companies (eight subsidiaries and one affiliate) undertake respective operations related to the Company.

Illustrated below is a structure of business relationships between and among the Company and its associated companies.



[State of Associated Companies]

Name	Location	Capital (Million Yen)	Main Business Description	Company's Voting Ownership (%)	Detailed Relationship with Company
(Consolidated Subsidiaries)					
SANUS	Nishi Ward, Hiroshima City, Hiroshima	95	Pharmaceutical wholesaling	100.00	Supplied by Company with pharmaceuticals. Company represented on Board of Directors.
Honma Toho	Central Ward, Niigata City, Niigata	100	Pharmaceutical wholesaling	73.00	Supplied by Company with pharmaceuticals. Company represented on Board of Directors.
Yamaguchi Toho	Tsuchiura City, Ibaraki	20	Pharmaceutical wholesaling	51.00	Supplied by Company with pharmaceuticals. Company represented on Board of Directors.
Ogawa Toho	Takasaki City, Gunma	20	Pharmaceutical wholesaling	51.00	Supplied by Company with pharmaceuticals. Company represented on Board of Directors.
Yakushin	Higashi Ward, Fukuoka City, Fukuoka	389	Pharmaceutical wholesaling	100.00	Supplied by Company with pharmaceuticals. Company represented on Board of Directors.
Godo Toho	Hirano Ward, Osaka City, Osaka	45	Pharmaceutical wholesaling	100.00	Supplied by Company with pharmaceuticals. Company represented on Board of Directors.
Koyo	Takamatsu City, Kagawa	72	Pharmaceutical wholesaling	59.09	Supplied by Company with pharmaceuticals. Company represented on Board of Directors.
Tsuruhara Yoshii	Kumamoto City, Kumamoto	522	Pharmaceutical wholesaling	100.00	Supplied by Company with pharmaceuticals. Company represented on Board of Directors.
Ethos	Sumida Ward, Tokyo	50	Operation of dispensing pharmacies and small-lot wholesaling of pharmaceuticals	60.61	Supplied by Company with pharmaceuticals. Supported financially by Company. Company represented on Board of Directors.
Toyaku	Shinjuku Ward, Tokyo	10	Operation of dispensing pharmacies	60.61 (60.61)	Supplied by Company with pharmaceuticals. Company represented on Board of Directors.
Toho System Service	Setagaya Ward, Tokyo	10	Information processing	100.00	Processes data and creates software for Company, associated companies, etc. Distributes software to medical institutions jointly with Company. Company represented on Board of Directors.
Tokyo Research Center of Clinical Pharmacology	Shinjuku Ward, Tokyo	401	SMO	72.53	Supported financially by Company. Company represented on Board of Directors.
Tokyo Clinical CRO	Shinjuku Ward, Tokyo	10	CRO	72.53	Company represented on Board of Directors.
(Equity-Method Affiliates)					
Sakai Yakuhin	Mitaka City, Tokyo	60	Pharmaceutical wholesaling	35.00	Supplied by Company with pharmaceuticals. Company represented on Board of Directors.

(Note) 1. Any indirect ownership reflected in a voting ownership ratio is enclosed in parentheses.

2. As of April 1, 2007, two wholly owned subsidiaries (Tsuruhara Yoshii and Yakushin) of the Company were merged and Tsuruhara Yoshii was left as the surviving company, and changed the company name to Kyushu Toho (based in Kumamoto, Kumamoto Prefecture).

3. Business Management Policy

(1) Company's Basic Policy for Management of Operations

As our society ages and suffers from a declining birth rate, there is significant public interest in medical and health issues, with related markets for medical and health care experiencing long-term growth with more diversification. Under such market circumstances, the Company sets "Total Commitment to Good Health" as its corporate slogan and strives to achieve the societal mission of "contributing to the medical care and health of the public." This effort must play a pivotal role as the Company operates in accordance with its basic business management policy of "creating new added value and enhancing its corporate value continuously." In pursuit of realizing this aim, the Company has endeavored to develop and offer a variety of customer-oriented and patient-oriented services.

Mission Statement

"We shall create new values through the provision of original service, and contribute to the medical care and well-being of people around the world."

Core Value

The Company exists and operates its business for important stakeholders, including long-term shareholders, patients, customers (suppliers and medical institutions), local communities, and employees. Consequently, the five core values common for all employees in the Group are listed below. We will endeavor to establish a "corporate brand with trust and common understanding" in the distribution industry.

① We put patients first all the time and act in the interests of enhancing their satisfaction.
② We strive our utmost every day to be a company essential to our customers.
③ We respect the personality, talent, and teamwork of all members, and value a corporate culture that is free and vigorous.
④ We observe laws and ethics, and strive to grow in harmony with society and for the benefit of its development.
⑤ We pursue ever-greater corporate value and champion timely and adequate disclosure.

Business Management Policy (Management vision)

The "Management Vision" is described in the following six-point statement. It should guide us as we nurture a corporate culture in tune with a new age and seek quality in conducting business that earns us high marks, both inside and outside the organization, for being a good corporate citizen.

① Establishment of a corporate brand through the creation of original customer value
② Establishment of a strong and flexible business quality through the promotion of a network-type group management.
③ Creation of a high-touch business force through the implementation of management practices that start with people (humanism) and empowerment
④ Pursuit of management efficiencies through selection and concentration; promotion of cost reductions; innovation of business structure; and cash-flow-oriented management
⑤ Enhancement of corporate value, and the appropriate and timely disclosure of information
⑥ Compliance with internal and external laws and the spirit of such laws, and the implementation of open and fair business activity

(2) Target Managerial Indicators

The Company developed the Medium-Term Management Plan from the fiscal year ended in March 2007 to the fiscal year ending in March 2009, targeting to achieve 822,000 million yen in net sales, 10,400 million yen in operating income, 13,200 million yen in ordinary income, and 7,044 million yen in current net income in the final year of the plan. Furthermore, as a medium- to long-term goal, the plan calls for ordinary income to account for 2% of net sales by promoting higher added business value. In pharmaceutical and other wholesaling operations, the plan aims for SG&A to reach the 5% level of net sales as promptly as possible by promoting a strategy for greater efficiencies.

(3) Company's Medium- to Long-Term Business Management Strategy

The Company's medium- to long-term business domains boil down to the keywords of "Medical Care, Health, and Comfortable Living," and "Japan and the World," and an intensive promotion of its business management strategy will be based on the following three-point vision for our business structures:

① Position wholesaling of ethical drugs at the core of operations and expand into health-related fields in the periphery of medical care;
② Serve all of Japan with an eye on overseas expansion; and
③ Develop an adequate portfolio of cross-disciplinary, alliance-based business models designed to create value for customers.

With an aim to solve problems facing the operations of customers and improve the quality of life enjoyed by people in general and patients in particular, we endeavor to develop and distribute a variety of services and solutions that are unique and proprietary to the Company. We will also procure a wide array of products, ranging from reagents, medical materials, medical equipment, over-the-counter (OTC) pharmaceuticals, and health-related products to daily goods and foods within the scope, in addition to a full spectrum of ethical pharmaceuticals. We will also seek a closer cooperative relationship with OHKI Co., Ltd., our capital and operational tie-up partner. As for the Group's business infrastructure such as information systems and logistics networks, we will continue to position infrastructure issues as an important strategic theme and step up for further efforts. Concerning the distribution business reorganization, our approach has been that of aggressively promoting the integration of business operations and formation of business alliances, guided by a basic concept that we call the spirit of Kyoso Mirai or "Creating the Future Together." This underlies the Company's initiative for integrating its product procurement capabilities, business infrastructure, and customer support service functions on the one hand, and the marketing strongholds of regional leaders in pharmaceutical wholesaling on the other. We place importance on enhancing our corporate value on a long-term and ongoing basis. For that purpose, we will strive for greater business efficiencies within the Group, while working aggressively on such important management issues as the full-scale use of IT technology and development of new distribution services to address deregulation moves, development of overseas business, and transformation of the business model.

(4) Company Issues that Need Addressing

Kyoso Mirai Group

The Kyoso Mirai Group is organized by the Company and enjoys about 1 trillion yen in net sales including its non-consolidated companies. The Group also has a combined network of sales bases covering most of the country and employs common purchasing, distribution, and mission-critical business operations systems to secure the benefits of scale that are essential for the survival of a pharmaceutical wholesaling company. In the pharmaceutical wholesaling industry, industrial reorganization and the consolidation of corporate groups have progressed since 1990s, with the intentions of strengthening negotiating power over purchase prices and streamlining operations. In our projection, each group will pursue differentiation from other groups in such areas as the sales and marketing system, distribution network, and customer support programs, and thus transform the current competition to more quality-oriented, aiming for higher profitability and customer retention. Amid such circumstances, we feel that the Group's distinctive management approach, which respects the self-sustainability of each member company, can pursue an expansion of scale without harming relationships with existing customers. Conversely, the Group has some overlapping functions (such as indirect divisions and distribution functions) and ineffective operations. The challenge for the Kyosai Mirai Group is to accelerate measures to improve productivity, integrate various operations, and strengthen capital tie-ups and other relationships, while maintaining the aforementioned strength of the Group in order to further enhance the Group's power.

Ashi-no-kai

At Ashi-no-kai, joint sales promotion is already in practice with acquired allowances that totaled 368 million yen this consolidated fiscal year, and its contribution to our profit is limited in the immediate future. As of October 3, 2006, six companies (Astem Health Care, Advanced Health Care Services, Toho Pharmaceutical, Nakakita, Vital Health Care, and Hokuyaku) participated with the Company to establish the Health Care Business Division in Ashi-no-kai with the objective of developing comprehensive strategies for the healthcare business. The Health Care Business Division plans to strengthen functions for achieving higher quality to meet customer expectations, not only for the sales and marketing division but also for the overall business domains.

Profitability

The Company is practically almost as profitable as its competitors after making adjustments, mostly on sales to non-consolidated companies in the Kyoso Mirai Group, and understands that the Kyoso Mirai Group has made significant efforts for the benefits of scale and cost reduction. However, looking at individual Group companies, some consolidated subsidiaries such as Koyo and Tsuruhara Yoshii have high SG&A expense ratios, where the potential for cost reduction and improved productivity is considered high. In addition to maintaining gross profit margins and reducing SG&A expense ratios, we will work on new products expected to spur sales growth in the domestic market, endeavor to increase sales to foreign-affiliated manufacturers, and develop next-generation wholesaler functions for developing fee-based business possibilities into new sources of earnings and consultative functions into revenue earners.

Centralizing Business Infrastructure Functions
The Medium-Term Management Plan calls for establishing East and West Japan Administration Centers, and consolidating financial and accounting systems, and HR and payroll systems from the perspective of centralizing business infrastructure. The plan also stipulates the standardization of middle-office operations by streamlining general administrative work conducted among the Group companies upon consolidation and review. Administrative operations in the Group companies have almost been fully integrated in eastern Japan during this term, but such integration in western Japan has yet to begin in practical terms since priority was placed on preparing for the launch of Kyushu Toho and addressing other issues. Therefore, we will conduct a drastic review of the "concept" itself in the next term to maximize the synergy effects in the Kyoso Mirai Group, and have started detailed discussions to sequentially consolidate and unify administrative work in the Group companies in western Japan with that at the head office of the Company.

Greater Business Efficiencies
As for greater business efficiencies on a consolidated basis, we will strive to achieve common targets among the Group companies as soon as possible; specifically an automated order receipts ratio of 90%, automated collections ratio of 95%, and a separated sales and distribution ratio of 90%. The results at the end of the current term, marking the first year in the Medium-Term Management Plan, were an automated order receipts ratio of 54.7% (up 6.7% from the corresponding preceding term), in automated collections ratio of 90.3% (up 1.5% from the corresponding preceding term), and a separated sales and distribution ratio of 65.6% (down 6.4% from the corresponding preceding term). Since Tsuruhara Yoshii was newly added to the scope of consolidation from this term under review, the total separated sales and distribution ratio showed a temporary downturn, but we will step up efforts in consolidated companies to bolster the ratio.

Financial ground
As for financial ground, the Company will continue to stand firm on its sales policy in placing priority on profitability, and endeavor to increase net assets by accumulating profits, enhance its financial strength, and augment its capital structure. The Company enjoys good cash positions, as it has few assets of possible impairment loss, low reliability on interest-bearing debts, and no group company is in immediate need of close attention. In particular, the Cash Management System (CMS) was newly introduced this consolidated fiscal year to consolidated Group companies and realized practically loan-free business management by ensuring a reduction of loan interest on a consolidated basis and a more effective use of funds. Furthermore, from the perspective of promoting cash flow management, we will strive to promote greater business efficiencies, targeting to achieve a product inventory turnover goal of 0.50 month (6-month average) and accounts receivable goal of 2.50 months (6-month average) by March 2009. As the results for the first year in the Medium-Term Management Plan, product inventory turnover was 0.71 month (improved by 0.02 month from the corresponding preceding term) and accounts receivable goal was 2.82 months (improved by 0.08 month from the corresponding preceding term) as of the end of March 2007.

Revitalization of Organization and Human Resources
As for the organization structure, in order to reinforce the basis for consolidated management and ensure clearer responsibility, as of July 1, 2006, the existing "unit system" was reorganized into a "division system" and five divisions (Sales and Marketing, Administration, System and Logistics, Customer Support, and Corporate Planning) were subsequently established. And to strengthen compliance-oriented management, the "Legal Office" was newly established as of the same date. In order to standardize and further reinforce pharmaceutical-related operations in the Kyoso Mirai Group, "person(s) responsible for medical affairs for Kyoso Mirai" and "person(s) responsible for consolidated internal control" were appointed to support and promote the development of an internal control system for the group of consolidated companies. As for measures for internal control and the J-SOX Act, the Company previously charged the corresponding project teams to deal with these issues, but as of April 1, 2007, it established a specialized department ("Internal Control and J-Sox Promotion Office"). Moreover, the Company split the "System and Logistics Division" on the same date to newly establish the "Logistics Division," whose mission is to enhance the distribution function as a common infrastructure for the Kyoso Mirai Group, and the "Development Division," whose mission is to promote SPD operation, PFP (small-lot wholesaling) operation, the development of information systems, and overseas business development. As for internationalization, with a powerful peer in China, we initiated a mutual trainee exchange program from this consolidated fiscal year, in addition to current activities that include information exchange. Furthermore, as of the same date, the "Medical Information Office" was newly established in the Sales and Marketing Division to address to internal and external needs for medical information, and the "Human Resources Planning Office" was newly added to the Corporate Planning Division, whose mission is to contribute to realizing the Company's mission statement, achieve the goals in each division, and to foster employees by developing a new personnel policy based on the Company's own core values and strategies, and planning a personnel system. As for the development of human resources, in addition to the existing training system that includes MTP training and US seminars, "Leader Training" began from this term under review, targeting Branch Managers and equivalent positions. We will continue to develop multiple training systems to foster human resources full of entrepreneurship.

Wide-Area Wholesaling Function

In this consolidated fiscal year, substantial achievements were made in the development of "distribution" and "information systems," the two major infrastructures for the pharmaceutical distribution business. To begin with, in November 2006 the Company launched "TBC Tokyo"—one of the largest state-of-the-art pharmaceutical distribution centers in Tokyo—in Yashio, Shinagawa Ward, by using cutting-edge technologies including IC tags. Consequently, the Company's distribution function was significantly reinforced primarily in the Tokyo Metropolitan area. Also in November 2006, the Company newly established "WILL Heiwajima"— a distribution center capable of supplying reagents nationwide—in Heiwajima, Taito Ward. In the next term, we will endeavor to minimize mistakes in deliveries from all distribution centers including TBC Tokyo, and alleviate the workload in Branches. The Company also intends to realize a lot control system in Branches to pursue even higher traceability of pharmaceuticals, and concurrently shift to a new sales slip format for full-scale use of the barcode system to realize a more accurate delivery system for our customers.

As for mission-critical business operations systems, the Company switched over to an open systems environment (UNIX machines) in March 2006 to reduce hardware costs and ensure extensibility to prepare for future growth in throughput demand. The Company concurrently adopted an East and West Japan dual-center approach (a double system employing a data center) to avoid complete system paralysis in the event of a large-scale disaster, and consequently established absolute risk management readiness to meet society's mandate for ensuring the distribution of pharmaceuticals. With more frequent system tests than usual to switch between the East and West centers, we will strive for greater reliability to "realize a pharmaceutical distribution system with relief and safety."

Innovation in Marketing Style

The Company used to develop and operate the "MS support system" using PDA (Personal Digital Assistance) with the objectives of ensuring the availability of information for marketing specialists (MSs) engaged in pharmaceutical wholesaling and more effective operations. This consolidated fiscal year, the Company became Japan's first corporate user of "hTc Z"—NTT DoCoMo's smart phone terminal jointly developed with Toshiba Solutions Corporation and equipped with Windows Mobile OS—to be released as a new MS support system ("Meissa"). This MS support system, the fifth generation in the Company's history, commenced operation from August 21, 2006 at Kyushu Toho (formerly Tsuruhara Yoshii).

As for our call centers, we endeavored to reinforce the functions contributing to innovation in sales and marketing activities, and achieve higher customer satisfaction, and began considering the construction of a West Japan Call Center, not only to conduct order-receiving operations but also to precisely address to various customer needs, such as operational improvement using communication logs, speedy response to queries using a database, and an information delivery system for MSs that combines an automatic voice recognition system and e-mail. Another new effort will be to conduct sales promotion and product briefing activities (outbound) from the Call Centers in order to strengthen our marketing function linked with direct contact from MSs.

Customer Service

Our proprietary customer support systems developed from customer-oriented and patient-oriented perspectives, and offered as services with fees, specifically ENIF (an interactive system enabling ordering and information retrieval on handheld information terminals), eniFAX (a prescription fax system), LXMATE-HeLios (a hospital appointment booking system via telephone), and PharmaStream ENIF club plan (support system for Web-learning; Internet-based lifelong education for pharmacists), enjoyed further market penetration during this term thanks to their various functions and convenient advantages. Since a higher market penetration of these systems will entail expectations for further contributions to differentiated services, more stable trading relationships, and greater business efficiencies, the Company's important challenges for marketing strategies in the next term will continue to be the further improvement and penetration of these services, and the development of new solutions.

Management reforms

As a part of our management reforms, the Company resolved to abolish the retirement benefits eligible for directors and corporate auditors as at the end of the 58th ordinary general meeting of shareholders held on June 29, 2006. Also, the issue of “directors’ salaries considering such things as performance and stock prices” was introduced as a part of directors’ salaries in order to clarify the managerial responsibilities of directors with regard to corporate performance and stock prices, and ensure that remuneration is paid in proportion to individual abilities and contributions to business performance. Furthermore, based on the resolution passed at the 58th ordinary general meeting of shareholders held on June 29, 2006, the details of equity warrants to be issued as a stock option (including the condition to distribute the warrants to 24 directors of the Company) were resolved at the board of directors meeting held on July 20, 2006. By introducing a series of such measures, the Company will raise the awareness among directors for higher business performance and stock prices, and further increase corporate value.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Account	Note ref. No.	Fiscal 2006 (As of March 31, 2006) Amount (million yen)		Share (%)	Fiscal 2007 (As of March 31, 2007) Amount (million yen)		Share (%)
(Assets)							
I Current assets							
1. Cash on hand and on deposit	(Note 3)		33,511			42,449	
2. Notes and accounts receivable	(Note 9)		185,200			195,055	
3. Marketable securities			2,495			1,996	
4. Inventories			44,505			47,161	
5. Deferred tax assets			1,196			1,517	
6. Purchase rebates receivable			10,938			11,454	
7. Other			8,013			9,668	
Allowance for doubtful receivables			△295			△ 428	
Total current assets			285,566	79.7		308,874	77.9
II Fixed assets							
1. Property, plant and equipment	(Note 1)						
(1) Buildings and structures	(Note 3)		12,965			14,432	
(2) Vehicles and carriers			83			23	
(3) Land	(Note 3,7)		25,003			29,042	
(4) Construction in progress			134			79	
(5) Other			1,582			1,300	
Total property, plant and equipment			39,769	11.1		44,879	11.3
2. Intangible fixed assets							
(1) Goodwill			957			—	
(2) Goodwill			—			4,088	
(3) Other			2,287			2,979	
Total intangible fixed assets			3,245	0.9		7,068	1.8
3. Investments and other assets							
(1) Investments in securities	(Note 2,3)		26,223			30,075	
(2) Long-term loans receivable			864			997	
(3) Deferred income taxes			69			179	
(4) Other			3,533			5,349	
Allowance for doubtful receivables			△855			△ 977	
Total investments and other assets			29,835	8.3		35,624	9.0
Total fixed assets			72,850	20.3		87,572	22.1
Total assets			358,416	100.0		396,447	100.0

Account	Note ref. No.	Fiscal 2006 (As of March 31, 2006) Amount (million yen)		Share (%)	Fiscal 2007 (As of March 31, 2007) Amount (million yen)		Share (%)
(Liabilities)							
I Current liabilities							
1. Notes and accounts payable	(Note 3,9)		244,821			269,733	
2. Short-term loans payable	(Note 3)		9,126			4,628	
3. Current portion of long-term debt	(Note 3)		1,363			532	
4. Income taxes payable			2,000			3,130	
5. Accrued expenses			1,397			1,500	
6. Accrued bonuses			2,094			2,365	
7. Directors' bonuses			—			92	
8. Reserve for sales returns			291			307	
9. Other			3,258			5,428	
Total current liabilities			264,354	73.8		287,720	72.6
II Long-term liabilities							
1. Bonds payable			10,000			9,600	
2. Long-term debt	(Note 3)		763			238	
3. Deferred tax liabilities			7,564			9,504	
4. Accrued retirement benefits for employees			3,603			3,006	
5. Accrued retirement benefits for directors and corporate auditors			904			—	
6. Liabilities resulted from the investments in affiliates			11			—	
7. Consolidation adjustments			4,133			—	
8. Deferred tax liabilities due to revaluation	(Note 7)		1,417			1,414	
9. Negative goodwill			—			3,706	
10. Other			2,942			4,466	
Total long-term liabilities			31,341	8.7		31,936	8.0
Total liabilities			295,695	82.5		319,656	80.6
(Minority interests)							
Minority interests			5,804	1.6		—	—
(Shareholders' equity)							
I Common stock	(Note 5)		10,399	2.9		—	—
II Capital surplus			14,282	4.0		—	—
III Retained earnings			35,184	9.8		—	—
IV Unrealized gains on revaluation of land	(Note 7)		△4,889	△1.4		—	—
V Unrealized gains on available-for-sale securities			3,207	0.9		—	—
VI Treasury stock	(Note 6)		△1,268	△0.3		—	—
Total shareholders' equity			56,916	15.9		—	—
Total liabilities, minority interests and shareholders' equity			358,416	100.0		—	—

Account	Note ref. No.	Fiscal 2006 (As of March 31, 2006) Amount (million yen)		Share (%)	Fiscal 2007 (As of March 31, 2007) Amount (million yen)		Share (%)
(Net assets)							
Ⅰ Shareholders' equity							
1. Common stock			—	—		10,599	
2. Capital surplus			—	—		23,597	
3. Retained earnings			—	—		41,362	
4. Treasury stock			—	—		△ 3,481	
Total shareholders' equity			—	—		72,078	18.2
Ⅱ Unrealized gains on revaluation							
1. Unrealized gains on available-for-sale securities			—	—		3,732	
2. Unrealized gains on revaluation of land	(Note 7)		—	—		△ 4,762	
Total unrealized gains on revaluation			—	—		△ 1,030	□0.2
Ⅲ Equity warrants			—	—		21	0.0
Ⅳ Minority interests			—	—		5,720	1.4
Total net assets			—	—		76,790	19.4
Total liabilities and net assets			—	—		396,447	100.0

(2) Consolidated profit and loss statement

Account	Note ref. No.	Fiscal 2006 (From April 1, 2005 to March 31, 2006) Amount (million yen)		Share (%)	Fiscal 2007 (From April 1, 2006 to March 31, 2007) Amount (million yen)		Share (%)
Ⅰ Net sales			706,488	100.0		773,436	100.0
Ⅱ Cost of sales			654,568	92.6		709,811	91.8
Gross income			51,920	7.4		63,624	8.2
Reversal of reserve for sales returns			51	0.0		5	0.0
Gross income after reserve for sales returns			51,971	7.4		63,629	8.2
Ⅲ Selling, general and administrative expenses							
1. Directors' salaries and employees' salaries and allowances		24,079			27,573		
2. Provision for accrued bonuses		2,094			2,410		
3. Provision for directors' bonuses		—			92		
4. Provision for accrued retirement benefits for employees		442			485		
5. Provision for accrued retirement benefits for directors and corporate auditors		67			19		
6. Welfare expenses		3,781			4,314		
7. Vehicle expenses		1,069			1,190		
8. Provision for allowance for doubtful receivables		104			228		
9. Depreciation and amortization		1,904			2,000		
10. Amortization expenses for goodwill		—			992		
11. Rent		3,475			4,167		
12. Taxes and dues		721			783		
13. Miscellaneous expenses		8,125	45,867	6.5	10,035	54,294	7.0
Operating income			6,104	0.9		9,335	1.2
Ⅳ Non-operating income							
1. Interest income		59			95		
2. Dividend income		191			269		
3. Fee income		1,440			—		
4. Information sales income		—			1,733		
5. Real estate rental income		225			236		
6. Amortization of consolidation adjustments		840			—		
7. Amortization expenses for negative goodwill		—			1,325		
8. Equity in earnings of investees		87			105		
9. Miscellaneous income		554	3,400	0.5	625	4,391	0.6
Ⅴ Non-operating expenses							
1. Interest expenses		165			91		
2. New share issue expense		36			—		
3. Specified line commitment fees		54			47		
4. Loss before deduction of temporary consumption tax payment		311			322		
5. Miscellaneous losses		47	615	0.1	160	622	0.1
Ordinary income			8,889	1.3		13,104	1.7

Account	Note ref. No.	Fiscal 2006 (From April 1, 2005 to March 31, 2006) Amount (million yen)		Share (%)	Fiscal 2007 (From April 1, 2006 to March 31, 2007) Amount (million yen)		Share (%)
Ⅰ Extraordinary gains							
1. Gains on sales of fixed assets	(Note 1)	175			52		
2. Gains on sales of investment securities		25			54		
3. Gains on sales of stocks of affiliate companies		—			181		
4. Gains on sales of golf club memberships		6			0		
5. Reversal of accrued retirement benefits for directors and corporate auditors		—			192		
6. Gain due to switchover to defined contribution pension program		33			—		
7. Gain on cancellation of insurance reserve fund		28			—		
8. Other		9	279	0.0	68	549	0.1
Ⅱ Extraordinary losses							
1. Loss on disposal of fixed assets	(Note 2)	479			601		
2. Loss on sale of investment securities		0			0		
3. Loss on revaluation of investment securities		109			11		
4. Loss on revaluation of stocks in subsidiaries		19			—		
5. Loss on sale of golf club memberships		2			4		
6. Loss on revaluation of golf club memberships		13			8		
7. Directors' retirement benefits		34			309		
8. Lump-sum grants to voluntary early retirements		585			—		
9. Variance from disposal of tying stocks		—			2		
10. Loss due to switchover to defined contribution pension program		221			96		
11. Loss due to change in equity		11			—		
12. Impairment loss	(Note 3)	611			485		
13. Loss due to debt forgiveness		—			299		
14. Others		15	2,106	0.3	35	1,856	0.3
Income before income taxes			7,061	1.0		11,797	1.5
Corporate income, inhabitant and enterprise taxes		2,812			4,505		
Adjustments for income taxes		416	3,228	0.5	△ 50	4,454	0.6
Minority interests			220	0.0		124	0.0
Current net income			3,612	0.5		7,218	0.9

(3) Consolidated Statements of Retained Earnings and Consolidated Statement of Changes in Shareholders' Equity

		Fiscal 2006 (From April 1, 2005 To March 31, 2006)	
Account	Note ref. No.	Amount (million yen)	
(Capital Surplus)			
I Capital surplus at beginning of year			10,862
II Increase in capital surplus			
Increase due to issue of new shares		3,396	
Gain on disposal of treasury stock		24	3,420
III Capital surplus at end of the year			14,282
(Retained earnings)			
I Retained earnings at beginning of year			32,220
II Increase in retained earnings			
Current net income		3,612	
Increase due to addition of consolidated subsidiaries		1	
Transfer from land revaluation excess		7	3,621
III Decrease in retained earnings			
Cash dividends		465	
Directors' bonuses		38	
(including auditors' bonuses)		(2)	
Decrease due to stock swapping		0	
Transfer from land revaluation excess		151	656
IV Retained earnings at end of the year			35,184

(4) Consolidated Statement of Changes in Shareholders' Equity
During this term (From April 1, 2006 to March 31, 2007)

	Shareholder's Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance as of March 31, 2006 (million yen)	10,399	14,282	35,184	△ 1,268	58,598
Changes during this term					
New shares issued by stock swapping		9,083			9,083
Increase due to exercised warrant bonds	200	199			400
Surplus distributed to shareholders（Note 1）			△ 862		△ 862
Bonuses to directors and corporate auditors（Note2）			△ 51		□ 51
Net income			7,218		7,218
Own company stock reacquired				△ 2,209	△ 2,209
Own company stock disposed		31			31
Decrease due to increase in consolidated subsidiaries			0	△ 3	△ 3
Transfer from land revaluation excess			△ 126		△ 126
Change (net increase or decrease) in non-shareholders' equity items during this term					
Total changes during this term	200	9,315	6,177	△ 2,212	13,480
Balance as of March 31, 2007 (million yen)	10,599	23,597	41,362	△ 3,481	72,078

	Unrealized gains on revaluation			Equity warrants	Minority interests	Total net assets
	Unrealized gains on available-for-sale securities	Unrealized gains on revaluation of land	Total unrealized gains on revaluation			
Balance as of March 31, 2006 (million yen)	3,207	△ 4,889	△ 1,682	−	5,804	62,720
Changes during this term						
New shares issued by stock swapping						9,083
Increase due to exercised warrant bonds						400
Surplus distributed to shareholders（Note 1）						△ 862
Bonuses to directors and corporate auditors（Note2）						△ 51
Net income						7,218
Own company stock reacquired						△ 2,209
Own company stock disposed						31
Decrease due to increase in consolidated subsidiaries						△ 3
Transfer from land revaluation excess						△ 126
Change (net increase or decrease) in non-shareholders' equity items during this term	525	126	652	21	△ 83	590
Total changes during this term	525	126	652	21	△ 83	14,070
Balance as of March 31, 2007 (million yen)	3,732	△ 4,762	△ 1,030	21	5,720	76,790

(Note) 1. The figure includes 520 million yen as appreciation of earnings at the ordinary general meeting of shareholders in June 2006, and 341 million yen due to resolution at the board of directors meeting in November 2006.

2. The figure is derived from the appreciation of earnings at the ordinary general meeting of shareholders in June 2006.

(5) Consolidated Statements of Cash Flows

		Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
Account	Note ref. No.	Amount (million yen)	Amount (million yen)
I Cash flows from operating activities			
Income before income taxes		7,061	11,797
Depreciation		1,904	2,000
Loss on impairment		611	485
Amortization of consolidation adjustments		△840	—
Amortization expenses for goodwill		—	992
Amortization expenses for negative goodwill		—	△1,325
Equity in earnings of investees		△87	△105
Decrease in accrued employees' retirement benefits		△1,629	△597
Decrease in accrued directors' retirement benefits		△323	△192
Decrease in reserve for sales returns		△51	△5
Increase (decrease) in accrued bonuses		△37	50
Increase in accrued directors' bonuses		—	92
Increase (decrease) in allowance for doubtful receivables		△227	84
Interest and dividend income		△251	△364
Fee income		△1,440	△1,733
Real estate rental income		△225	△236
Miscellaneous income		△554	△625
Interest expense		165	91
New share issue expense		36	—
Specified line commitment fee		54	47
Loss before deduction of temporary consumption tax payment		311	322
Miscellaneous loss		47	160
Gain on sale of tangible fixed assets		△175	△52
Loss on disposal of tangible fixed assets		479	598
Loss on disposal of intangible current assets		—	2
Loss on disposal of long-term prepaid expenses		—	0
Gain on sale of investment securities		△25	△54
Loss on sale of investment securities		0	0
Loss on revaluation of investment securities		109	11
Gain on sale of stocks of affiliated companies		—	△181
Loss on revaluation of stocks in subsidiaries		19	—
Gain on cancellation of insurance reserve fund		△28	—
Proceeds from nonlife insurance premium		—	△0
Other extraordinary gains		△9	△67
Gain on sale of golf club memberships		△6	△0
Loss on sale of golf club memberships		2	4
Loss on revaluation of golf club memberships		13	8
Directors' retirement benefits		34	—
Lump-sum grants to voluntary early retirements		585	—
Loss due to switchover to defined contribution pension program		221	—
Loss due to change in equity		11	—
Variance from disposal of tying stocks		—	2
Loss due to debt forgiveness		—	299
Other extraordinary losses		15	35
Other non-cash losses (gains)		51	57
Decrease (increase) in trade receivables		△4,778	624
Decrease (increase) in inventories		△1,508	30
Decrease (increase) in purchase rebates receivable		708	465
Decrease (increase) in other assets		△2,032	△916
Increase (decrease) in trade payables		5,246	11,861
Increase in other liabilities		726	2,017
Increase (decrease) in accrued consumption taxes		136	△260
Payment of directors' bonuses		△45	△61
Subtotal		4,277	25,363

Account	Note ref. No.	Fiscal 2006 (From April 1, 2005 to March 31, 2006) Amount (million yen)	Fiscal 2007 (From April 1, 2006 to March 31, 2007) Amount (million yen)
Interest and dividend income		229	367
Fee income		1,423	1,748
Real estate rental income		226	236
Miscellaneous income		573	634
Receipt of proceeds from nonlife insurance premium		—	0
Other extraordinary income		—	67
Interest payment		△165	△96
Payment of new share issue expense		△36	—
Payment of specified line commitment agreement fee		△51	△44
Miscellaneous payment		△20	△158
Payment of directors' retirement benefits		△34	—
Payment of lump-sum grants to voluntary early retirements		△585	—
Payment due to switchover to defined contribution pension program		△90	△316
Payment of income taxes		△1,131	△3,528
Net cash provided by operating activities		4,613	24,273
Ⅱ Cash flows from investing activities			
Payment for addition to time deposits		△371	△1,590
Proceeds from refunds of time deposits		5,430	1,097
Payment for acquisition of tangible fixed assets		△907	△1,808
Proceeds from sale of tangible fixed assets		1,476	179
Payment for acquisition of goodwill		△10	—
Payment for acquisition of software		△529	△187
Proceeds from sale of software		1	0
Payment for acquisition of other intangible fixed assets		—	△200
Proceeds from sale of other intangible fixed assets		71	—
Payment for acquisition of long-term prepaid expense		△29	△42
Proceeds from sale of long-term prepaid expense		6	1
Payment for acquisition of investment securities		△1,895	△782
Proceeds from sale of investment securities		70	78
Payment for acquisition of stocks in subsidiaries accompanied by changes in consolidation	(Note 2)	△1,130	△1,841
Payment for acquisition of stocks in subsidiaries		△81	△408
Proceeds from sale of stocks in affiliates		—	177
Payment for acquisition of other investments		△779	△473
Proceeds from sale of other investments		2,479	540
Proceeds from transfer of goodwill		3	—
Payment for extension of loans		△294	△1,200
Proceeds from collection of loans		84	278
Net cash provided by (used in) investing activities		3,593	△6,182

		Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
Account	Note ref. No.	Amount (million yen)	Amount (million yen)
Ⅲ Cash flows from financing activities			
Net increase (decrease) in short-term loans payable		△1,693	△4,558
Proceeds from long-term debt		250	―
Payment for repayment of long-term debt		△1,588	△1,524
Proceeds from share issue		6,792	―
Proceeds from minority shareholders' payment		143	―
Payment for acquisition of own stock		△912	△2,169
Payment for satisfaction of finance lease liabilities		―	△549
Payment of cash dividends		△465	△862
Payment of cash dividends to minority shareholders		△11	△14
Net cash provided by financing activities		2,514	△9,678
Ⅳ Increase in cash and cash equivalents		10,721	8,412
Ⅴ Cash and cash equivalents at beginning of year		22,880	34,124
Ⅵ Increase in cash and cash equivalents due to business mergers		―	13
Ⅶ Increase in cash and cash equivalents due to stock swapping		522	879
Ⅷ Cash and cash equivalents at the end of this term	(Note 1)	34,124	43,429

(6) Basis of Presenting Consolidated Financial Statements

Account	Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
1. Scope of Consolidation	(1) Number of Consolidated Subsidiaries: 12 The identities of primary consolidated subsidiaries are provided in “State of Associated Companies.” Kinoshita Kayuhin is a consolidated subsidiary resulting from the Company’s acquisition of its stock during the fiscal year under review. Koyo is a consolidated subsidiary resulting from the Company’s acquisition of its stock during the fiscal year under review. Kinoshita Yakuhin merged with Godo Toho (consolidated subsidiary) on October 1, 2005, with the latter surviving that merger. (2) State of non-consolidated subsidiary Name of main non-consolidated subsidiary Medical Trust (Reason excluded from range of connection) All non-consolidated subsidiaries are small in size and do not significantly affect the Company’s consolidated total assets, net sales, consolidated net income, or retained earnings. Moreover, if taken as a whole, they are insignificant and therefore are not consolidated.	(1) Number of Consolidated Subsidiaries: 13 The identities of primary consolidated subsidiaries are provided in “State of Associated Companies.” Tsuruhara Yoshii is a consolidated subsidiary resulting from the Company’s acquisition of its stock through stock swapping during this fiscal year under review. Toyaku is a consolidated subsidiary resulting from the Company’s acquisition of its stock during this fiscal year under review. Tokai Toho merged with Toho Pharmaceutical on October 1, 2006. (2) Name of main non-consolidated subsidiary Name of main non-consolidated subsidiary Medical Trust (Reason excluded from range of connection) Same as in left column
2. Application of Equity Method	(1) Number of Affiliates Accounted for by Equity Method: 2 Names of Primary Affiliates: Sakai Yakuhin Fisher Scientific Japan (2) State of Non-consolidated Subsidiaries and Affiliates Not Accounted for by Equity Method Names of primary non-consolidated subsidiaries: Medical Trust Names of Primary Affiliates: TRIAD JAPAN Non-consolidated subsidiaries and affiliates not accounted for by the equity method are excluded because they do not individually have any significant effect on the Company’s consolidated net income or retained earnings, and are also insignificant as a whole. Companies accounted for by the equity method, for which the date of accounts settlement differs from the Company’s date of consolidated accounts settlement, provide their financial statements prepared according to the fiscal year, for consolidation purposes.	(1) Number of Affiliates Accounted for by Equity Method: 1 Names of Primary Affiliates: Sakai Yakuhin Fisher Scientific Japan was excluded from affiliates accounted for by the equity method due to the sale of all the Company’s shareholdings of its stock during this fiscal year under review. (2) State of Non-consolidated Subsidiaries and Affiliates Not Accounted for by Equity Method Names of primary non-consolidated subsidiaries: Medical Trust Names of Primary Affiliates: TRIAD JAPAN Non-consolidated subsidiaries and affiliates not accounted for by the equity method are excluded because they do not individually have any significant effect on the Company’s consolidated net income or retained earnings, and are also insignificant as a whole.

Account	Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
3. Fiscal Years Adopted by Consolidated Subsidiaries	The final day of the fiscal year of each consolidated subsidiary corresponds to the date of the Company's consolidated financial statements.	Same as in left column.
4. Accounting Principles (1) Basis and Method of Valuation of Significant Assets	① Securities Held-to-maturity debt securities Stated at cost amortized on a straight-line basis. Other securities With available fair market value: …… Stated at fair market value based principally on the market price as of the balance sheet date. (All unrealized gains and losses are included as separate components of shareholders' equity, with cost of securities sold determined using the moving-average method.) With no available fair market value: ……Stated at moving-average cost. ② Inventories The Company submitting consolidated financial statements and eight consolidated subsidiaries (SANUS, Honma Toho, Tokai Toho, Yamaguchi Toho, Ogawa Toho, Yakushin, Godo Toho, and Koyo) value inventories at moving-average cost. Other consolidated subsidiaries value inventories at cost using the last purchase price method.	① Securities Held-to-maturity debt securities Same as in left column. Other securities With available fair market value: …… Stated at fair market value based principally on the market price as of the end of the fiscal year. (All unrealized gains and losses are included as separate components of net assets, with the cost of securities sold determined using the moving-average method.) With no available fair market value: ……Same as in left column. ② Inventories The Company submitting consolidated financial statements and eight consolidated subsidiaries (Tsuruhara Yoshii, Yakushin, SANUS, Godo Toho, Honma Toho, Koyo, Yamaguchi Toho, and Ogawa Toho) value inventories at moving-average cost. Other consolidated subsidiaries value inventories at cost using the last purchase price method.
(2) Method of Depreciation of Significant Depreciable Assets	① Property, plants, and equipment Depreciated by the declining-balance method. Buildings (except structures attached to buildings) acquired on and after April 1, 1998 are depreciated by the straight-line method. The estimated useful lives of major asset categories are as follows: Buildings and structures: 10 - 50 years Vehicles and carriers: 5 - 6 years Equipment and fixtures: 5 - 15 years ② Intangible fixed assets Amortized by the straight-line method. Goodwill is amortized in equal amounts over five years, and software for internal use is amortized by the straight-line method over the estimated useful life for in-house use (five years).	① Property, plants, and equipment Same as in left column. ② Intangible fixed assets Amortized by the straight-line method. Software for internal use is amortized by the straight-line method over the estimated useful life for in-house use (five years).
(3) Method of Accounting for Deferred Assets	New share issuing expense Charged entirely to income as disbursed.	――――

Account	Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
(4) Principles of Accounting for Significant Allowances and Reserves	① Allowance for doubtful receivables The allowance for doubtful receivables is provided to cover possible losses in the collection of trade receivables, loans receivable, and others. The actual rate of historical bad debts is used for normal receivables. For certain receivables, including those subject to possible loss, the recoverability of individual accounts is investigated and the uncollectible amount estimated. ② Accrued bonus The estimated amount payable is recorded to fund bonus payments to eligible employees and directors, who are also employees of the Group. ③ ―――― ④ Reserve for Sales Returns The estimated amount of losses on future sales returns is provided to cover possible losses on sales returns. ⑤ Accrued Retirement Benefits for Employees The Company submitting consolidated financial statements and two consolidated subsidiaries (Toho System Service and Tokai Toho) shifted entirely to a defined contributory pension program, effective from the fiscal year under review (refer to Additional Information). In connection with this shift, they adopted a transitional program to pay retirement-age employees (still active on the payroll at said switchover) lump-sum severance allowances in the amount of a portion of all benefits attributable to past service, upon their retirement. This involved recognition of the relevant retirement benefit liability as of the end of March 2006 to prepare for the payment of retirement benefits to these employees. Actuarial differences are insignificant, and thus recognized as expenses in the fiscal year when accrued.	① Allowance for doubtful receivables Same as in left column. ② Accrued bonus Same as in left column ③ Director bonus reserve In order to fund directors' bonuses from the estimated amount payable for this fiscal year, the obligation for this fiscal year is recorded. (Change in accounting policy) Effective from this consolidated fiscal year under review, the Company adopts "the Accounting Standards for Directors' Bonuses" (issued by the Accounting Standards Board of Japan on November 29, 2005, ASBJ Statement No. 4). The effect of this application was to reduce operating income, ordinary income, and net income before taxes by 92 million yen. The impact on segmental information is described where relevant. ④ Reserve for Sales Returns Same as in left column ⑤ Accrued Retirement Benefits for Employees The Company submitting consolidated financial statements and two consolidated subsidiaries (Godo Toho and Toho System Service) shifted entirely to a defined contributory pension program, effective from the fiscal year under review (refer to Additional Information). In connection with this shift, they adopted a transitional program to pay retirement-age employees (still active on the payroll at said switchover) lump-sum severance allowances in the amount of a portion of all benefits attributable to past service, upon their retirement. This involved recognition of the relevant retirement benefit liability as of the end of March 2007 to prepare for the payment of retirement benefits to these employees. Actuarial differences are insignificant, and thus recognized as expenses in the fiscal year when accrued.

Account	Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
	Seven consolidated subsidiaries (SANUS, Godo Toho, Yamaguchi Toho, Koyo, Ethos, Tokyo Research Center of Clinical Pharmacology, and Tokyo Clinical CRO) recognized the amount of accrual estimated at the end of the fiscal year under review to prepare for the payment of retirement benefits to employees. The accrual was based on the estimated amounts of retirement benefit liabilities and pension plan assets at the end of the fiscal year under review. Actuarial differences are prorated on a straight-line basis over a certain number of years (7 years) within the average remaining service period of eligible employees when accrued during each fiscal year, and recognized as an expense over the fiscal years following that accrual. (Additional information) The Company submitting consolidated financial statements and four consolidated subsidiaries (Toho System Service, Honma Toho, Tokai Toho, and Yakushin) all shifted tax-qualified retirement annuity plans to a defined contributory pension program, effective from the fiscal year under review. This took advantage of the enforcement of the Defined Contribution Pension Law. One consolidated subsidiary (Ogawa Toho) shifted all tax-qualified retirement annuity plans to a defined contributory pension program on April 1, 2006. For this purpose, all companies applied “Accounting Procedures for Shifting between Different Retirement Benefit Programs” (Corporate Accounting Standards Implementation Guidelines No.1). The effect of this shift was to reduce current net income before income taxes by 188 million yen. ⑥ Accrued Retirement Benefits for Directors and Corporate Auditors The Company submitting consolidated financial statements and four consolidated subsidiaries (SANUS, Yakushin, Godo Toho, and Koyo) recognize the amount payable at the end of fiscal year pursuant to the provisions of internal bylaws, to fund the payment of retirement benefits to eligible directors and corporate auditors upon retirement.	Seven consolidated subsidiaries (Tsuruhara Yoshii, SANUS, Koyo, Yamaguchi Toho, Ethos, Tokyo Research Center of Clinical Pharmacology, and Tokyo Clinical CRO) recognized the amount of accrual estimated at the end of the fiscal year under review to prepare for the payment of retirement benefits to employees. The accrual was based on the estimated amounts of retirement benefit liabilities and pension plan assets at the end of the fiscal year under review. Actuarial differences are prorated on a straight-line basis over a certain number of years (7 years or 10 years) within the average remaining service period of eligible employees when accrued during each fiscal year, and recognized as an expense over the fiscal years following that accrual. (Additional information) One consolidated subsidiary (Godo Toho) shifted all tax-qualified retirement annuity plans to a defined contributory pension program on October 1, 2006. For this purpose, this consolidated subsidiary applied “Accounting Procedures for Shifting between Different Retirement Benefit Programs” (Corporate Accounting Standards Implementation Guidelines No.1). The effect of this shift was to reduce current net income before income taxes by 96 million yen. ——————

Account	Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
(5) Method of Accounting for Significant Lease Transactions	Finance leases other than those where ownership of the leased property is deemed transferred to the lessee are accounted for in the same manner as standard lease transactions.	Same as in left column
(6) Other Important Information for Preparation of Consolidated Financial Statements	Method of Accounting for Consumption Taxes and Others Transactions subject to consumption tax are accounted for exclusive of consumption tax.	Method of Accounting for Consumption Taxes and Others Same as in left column
5. Valuation of Assets and Liabilities of Consolidated Subsidiaries	All assets and liabilities of consolidated subsidiaries are stated at fair market values.	Same as in left column
6. Amortization of Consolidated Adjustments	Consolidation adjustments are amortized over a period of five or ten years in equal amounts.	―――――――
7. Amortization of goodwill and negative goodwill	―――――――	Goodwill and negative goodwill are amortized over a period of five or ten years in equal amounts.
8. Treatment of Profit Appropriation Items	The preparation of Consolidated Statements of Retained Earnings is based on the appropriation of earnings of consolidated companies finalized during the fiscal year under review for those Consolidated Statements of Retained Earnings.	―――――――
9. Definition of Cash in Consolidated Statements of Cash Flows	Cash consists of cash on hand, cash deposits withdrawable on demand, and short-term investments readily convertible into cash that bear only a minimum risk of changing in value, and which become due within three months following the date of acquisition.	Same as in left column

(7) Changes in Basis of Consolidated Financial Statements

Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
(Accounting Standards for Impairment of Fixed Assets) Effective from the fiscal year under review, the Company adopts accounting standards for impaired fixed assets as provided for by "Opinion concerning Establishment of Accounting Standards for Impairment of Fixed Assets" (issued by the Business Accounting Council of Japan on August 9, 2002) and "Implementation Guidelines for Accounting Standards for Impairment of Fixed Assets" (Corporate Accounting Standards Implementation Guidelines No. 6 of October 31, 2003). The effect of this application was to reduce income before income taxes by 604 million yen. The impact on segmental information is described where relevant. Accumulated impairment losses are deducted directly from the amount of the classified asset on which they are recognized, in compliance with Regulations concerning Consolidated Financial Statements as revised and current.	―――
―――	(Accounting Standards for Net Assets on Balance Sheet) (Partial Revision of Accounting Standards for Decreases in Treasury Stocks and Reserves) Effective from the fiscal year under review, the Company has applied "Accounting Standards for Presentation of Net Assets on the Balance Sheet" (issued by the Accounting Standards Board of Japan on December 9, 2005, ASBJ Statement No. 5), "Implementation Guidelines on Accounting Standards for Presentation of Net Assets on the Balance Sheet" (issued by the Accounting Standards Board of Japan on December 9, 2005, ASBJ Guideline No. 8), the revised "Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (issued by the Accounting Standards Board of Japan on August 11, 2006, ASJB Statement No. 1), and "Implementation Guidance on Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (issued by the Accounting Standards Board of Japan on August 11, 2006, ASJB Statement No. 2). There was no impact on the Company's profit and loss due to these changes. The amount relevant to "total shareholders' equity" was valued at 71,048 million yen. Net assets on the consolidated balance sheet during the fiscal year under review were prepared in compliance with the revised and current Regulations Concerning Consolidated Financial Statements.

Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
————	(Accounting Standards for Business Combinations) Effective from the fiscal year under review, the Company has applied “Accounting Standards for Business Combinations” (issued by the Business Accounting Council of Japan on October 31, 2003), “Accounting Standard for Business Divestitures” (issued by the Accounting Standards Board of Japan on December 27, 2005, ASBJ Statement No. 7), and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (issued by the Accounting Standards Board of Japan on December 27, 2005, ASBJ Statement No. 10). Changes in the presentation of consolidated financial statements resulting from revisions of the Regulations Concerning Consolidated Financial Statements are described below. (Consolidated Balance Sheet) Effective from this fiscal year under review, consolidated adjustments are presented as goodwill or negative goodwill. Assets that had been included in intangible fixed assets as goodwill are presented as goodwill. (Consolidated Statements of Income) Effective from this fiscal year under review, the amortization of consolidation adjustments that had been presented as non-operating income until the preceding consolidated fiscal year, is now classified as “amortization expenses for goodwill” under selling, general and administrative expenses, and “amortization expenses for negative goodwill” under non-operating income. Consequently, operating income decreased by 668 million yen, but had no impact on ordinary income. (Consolidated Statements of Cash Flows) Effective from this fiscal year under review, the amortization of consolidation adjustments is presented as amortization expenses for goodwill or those for negative goodwill. Expenses that had been included in depreciation as amortization for goodwill are now included in amortization expenses for goodwill.

Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
―――――	(Accounting Standards for Stock Options) Effective from the fiscal year under review, the Company has applied “Accounting Standard for Share-based Payment” (issued by the Accounting Standards Board of Japan on December 27, 2005, ASBJ Statement No. 8) and “Implementation Guidance on Accounting Standard for Share-based Payment” (issued by the Accounting Standards Board of Japan revised on May 31, 2006, ASBJ Guidance No. 11). The effect of this application was to reduce operating income, ordinary income, and current net income before taxes by 21 million yen. The impact on segmental information is described where relevant.

(8) Change in Presentation Method

Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
―――――	(Consolidated Statements of Income) The description of “Information sales income” as an item in non-operating income that had been presented as “fee income” until the preceding consolidated fiscal year, was changed to clarify the details.

(9) Additional information

Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
―――――	(Abolishment of System for Accrued Retirement Benefits for Directors and Corporate Auditors) The Company submitting consolidated financial statements and five consolidated subsidiaries (Tsuruhara Yoshii, Yakushin, SANUS, Godo Toho, and Koyo) have resolved at general shareholders meetings held during this fiscal year under review to abolish their systems for accrued retirement benefits for directors and corporate auditors, as of the end of those general meetings in order to terminate payment. Honma Toho, Yamaguchi Toho, and Ogawa Toho have resolved at general shareholders meetings held during this fiscal year under review to make payments of retirement benefits to directors and corporate auditors upon their retirement. Regarding the amount to be paid as retirement benefits to directors and corporate auditors as of the end of said general meetings, 17 million yen was presented as “others” in current liabilities, and 1,162 million yen as “others” in fixed assets.

(10) Notes to Consolidated Financial Statements
(Consolidated balance sheet relation)

Fiscal 2006 (March 31, 2006)	Fiscal 2007 (March 31, 2007)
(Note 1) Accumulated depreciation of property, plant and equipment: 18,494 million yen	(Note 1) Accumulated depreciation of property, plant and equipment: 20,959 million yen
(Note 2) Investments in non-consolidated subsidiaries and affiliates: Investment in securities 1,213 million yen	(Note 2) Investments in non-consolidated subsidiaries and affiliates: Investment in securities 1,375 million yen

(Note 3) Assets pledged as collateral (Fiscal 2006):

Classified assets pledged (million yen)		Liabilities secured by collateral (million yen)	
Time deposits	493	Notes and accounts payable	18,968
Buildings	2,319		
Land	5,107		
Investment securities	2,198		
Buildings	1,095	Short-term loans payable and long-term debt (including current portion of long-term debt due within one year)	4,268
Land	2,233		
Investment securities	138		
Total	13,586	Total	23,236

(Note 3) Assets pledged as collateral (Fiscal 2007):

Classified assets pledged (million yen)		Liabilities secured by collateral (million yen)	
Time deposits	387	Notes and accounts payable	23,422
Buildings	2,428		
Land	5,443		
Investment securities	2,977		
Buildings	20	Short-term loans payable and long-term debt (including current portion of long-term debt due within one year)	862
Land	1,343		
Investment securities	2,503		
Total	15,105	Total	24,284

(Note 4) Liabilities guaranteed

Fiscal 2006		Fiscal 2007	
① Bank loans guaranteed		① Bank loans guaranteed	
Wakaba	434 million yen	Wakaba	387 million yen
Alf	393 million yen	Alf & 3 other cases	239 million yen
Fisher Scientific Japan	174 million yen	Total	626 million yen
Kanto Medical Service & 2 other cases	120 million yen		
Total	1,122 million yen		
② Accounts payable guaranteed		② Accounts payable guaranteed	
Kensho	513 million yen	Kensho	494 million yen
Tsubasa	222 million yen	Tsubasa	302 million yen
Total	735 million yen	Total	796 million yen
③ Leases guaranteed			
Kensho	5 million yen		

Fiscal 2006	Fiscal 2007
(Note 5) No. of shares issued by the Company and outstanding: 53,157,206 shares of common stock	(Note 5) ―――
(Note 6) No. of treasury stocks held by consolidated subsidiaries and equity-method affiliates: 1,097,155 shares of common stock	(Note 6) ―――

<table>
<tr><th>Fiscal 2006
(March 31, 2006)</th><th>Fiscal 2007
(March 31, 2007)</th></tr>
<tr><td>(Note 7) Pursuant to the “Law concerning Land Revaluation” (Law No. 34, promulgated on March 31, 1998) and the “Law for Partial Revision of Law concerning Land Revaluation” (Law No. 19, promulgated on March 31, 2001), the Company submitting Consolidated Financial Statements revalued its land used for business purposes and accordingly recorded in shareholders’ equity under “unrealized gains on revaluation of land” the amount of revaluation difference in value and net “deferred tax assets due to revaluation.”
Tokai Toho (consolidated subsidiary) revalued its land used for business purposes on March 31, 2002.
Method of revaluation:
Based on the land tax assessment register specified in Article 2-3 of the Ordinance for Enforcement of Law concerning Land Revaluation (Government Ordinance No. 119, promulgated on March 31, 1998).
Date of revaluation: March 31, 2002
Difference in value of land revalued between market and revalued book value at fiscal year-end: 2,058 million yen</td><td>(Note 7) Pursuant to the “Law concerning Land Revaluation” (Law No. 34, promulgated on March 31, 1998) and the “Law for Partial Revision of Law concerning Land Revaluation” (Law No. 19, promulgated on March 31, 2001), the Company revalued its land used for business purposes and accordingly recorded in shareholders’ equity under “unrealized gains on revaluation of land” the amount of revaluation difference in value and net “deferred tax assets due to revaluation.”
Method of revaluation:
Based on the land tax assessment register specified in Article 2-3 of the Ordinance for Enforcement of Law concerning Land Revaluation (Government Ordinance No. 119, promulgated on March 31, 1998).
Date of revaluation: March 31, 2002
Difference in value of land revalued between market and revalued book value at fiscal year-end: 2,096 million yen</td></tr>
<tr><td>(Note 8) The Company has been lending commitment agreements with 10 trading banks to facilitate efficient procurement of working funds.
Lending commitments 12,000 million yen
Balance borrowed — million yen
Total remainder 12,000 million yen</td><td>(Note 8) The Company has been lending commitment agreements with 11 trading banks to facilitate efficient procurement of working funds.
Lending commitments 12,000 million yen
Balance borrowed — million yen
Total remainder 12,000 million yen</td></tr>
<tr><td>(Note 9) ―――――</td><td>(Note 9) As for accounting methods for notes due at the end of the fiscal year under review, the final day of this fiscal year fell on a bank holiday, but notes due on this day were processed as settled on the due date.
The values of notes due at the end of the fiscal year under review are given below.
Notes receivable 971 million yen
Notes payable 315 million yen</td></tr>
</table>

(Notes to Consolidated Statements of Income)

Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)

Fiscal 2006 (From April 1, 2005 to March 31, 2006)

(Note 1) Gains on sales of fixed assets comprising:

Gain on sale of buildings	3 million yen
Gain on sale of equipment and fixtures	1 million yen
Gain on sale of land	170 million yen
Total	175 million yen

(Note 2) Losses on disposal of fixed assets comprise:

Loss on retirement of buildings	240 million yen
Loss on retirement of vehicles and carriers	16 million yen
Loss on sale of buildings	12 million yen
Loss on sale of equipment and fixtures	0 million yen
Loss on sale of land	178 million yen
Loss on sale of leasehold	30 million yen
Total	479 million yen

(Note 3) Impairment losses

The Toho Pharmaceutical Group recognized impairment losses on the following asset groups during the fiscal year under review.

Location	Purpose	Class
Ichioka Branch and 9 other sites	Real estate for business use	Land and buildings
Former Morioka Branch and 29 other sites	Real estate unused	

The Toho Pharmaceutical Group identifies asset groups as being individual branches classified as real estate used for business purposes and as individual assets not used for business purposes that are classified as real estate unused.

The Group recognized impairment losses of 138 million yen on real estate for business use that suffered consecutive losses in value. It comprised 82 million yen on land and 56 million yen on buildings. The Group measures recoverable amounts on the basis of net sales prices, which in this case proved insignificant and were substituted by tax assessments of fixed assets in estimating the recoverable amounts.

The Group recognized impairment losses of 473 million yen on real estate not used for business purposes that suffered consecutive losses in land value. It comprised 400 million yen on land and 72 million yen on buildings. The Group measures recoverable amounts on the basis of net sales prices. The recoverable amounts were based on assessments supplied by real estate appraisers, but some assets whose assessments proved insignificant were assessed in reference to tax assessments of fixed assets.

Fiscal 2007 (From April 1, 2006 to March 31, 2007)

(Note 1) Gains on sales of fixed assets comprising:

Gain on sale of buildings	27 million yen
Gain on sale of vehicles and carriers	0 million yen
Gain on sale of land	25 million yen
Total	52 million yen

(Note 2) Losses on disposal of fixed assets comprise:

Loss on retirement of buildings Loss on retirement of buildings	413 million yen
Loss on retirement of vehicles and carriers	2 million yen
Loss on sale of equipment and fixtures	31 million yen
Loss on sale of buildings	24 million yen
Loss on sale of land	130 million yen
Total	601 million yen

(Note 3) Impairment losses

The Toho Pharmaceutical Group recognized impairment losses on the following asset groups during the fiscal year under review.

Location	Purpose	Class
Miyoshi Sales Branch (in Miyoshi City, Hiroshima Prefecture) and 4 other sites	Real estate for business use	Land and buildings
Konancho, Takamatsu City, Kagawa Prefecture, and 27 other sites	Real estate unused	
—	—	Goodwill

The Toho Pharmaceutical Group identifies asset groups as being individual branches classified as real estate used for business purposes and as individual assets not used for business purposes that are classified as real estate unused.

The Group recognized impairment losses of 27 million yen on the real estate for business use that suffered consecutive losses in value. It comprised 7 million yen on land and 20 million yen on buildings. The Group measures recoverable amounts on the basis of net sales prices, which in this case proved insignificant and were substituted by tax assessments of fixed assets in estimating the recoverable amounts.

The Group recognized impairment losses of 255 million yen on real estate not used for business purposes that suffered consecutive losses in land value. It comprised 237 million yen on land and 17 million yen on buildings. The Group measures recoverable amounts on the basis of net sales prices. The recoverable amounts were based on assessments supplied by real estate appraisers, but some assets whose assessments proved insignificant were assessed in reference to tax assessments of fixed assets.

The Group recognized impairment losses of 202 million yen on goodwill that suffered a significant decrease in actual value. The Group measures recoverable amounts on the basis of value for use, calculated by deducting 7.16% from future cash flow.

(Consolidated Statement of Changes in Shareholders' Equity)
Fiscal 2007 (From April 1, 2006 to March 31, 2007)
1. Types and total number of outstanding stocks, and types and number of treasury stocks

Types of stocks	No. of stocks as of end of fiscal 2006 (in thousand stocks)	No. of stocks increased during fiscal 2007 (in thousand stocks)	No. of stocks decreased during fiscal 2007 (in thousand stocks)	No. of stocks as of the end of this term (in thousand stocks)
Outstanding stocks				
Common stocks (No1)	53,157	6,061	—	59,219
Total	53,157	6,061	—	59,219
Treasury stock				
Common stocks (No 2)	1,097	1,156	—	2,253
Total	1,097	1,156	—	2,253

(Note) 1. The increase in the total number of outstanding common stocks (to 6,061,000) reflects the 5,841,000 newly issued stocks due to the stock swapping with Tsuruhara Yoshii and an increase of 220,000 stocks due to the conversion of warrant bonds to common stocks.

2. The increase in treasury stocks of common stocks (to 1,156,000) reflects an increase of 6,000 stocks due to the reacquisition of odd stocks, shareholdings of 41,000 shares by subsidiaries newly added to consolidation, and 1,109,000 stocks from reacquisition pursuant to board meeting resolutions.

2. Subscription rights to shares and treasury shares

Account	Details of subscription rights to shares	Types of subscription rights to shares	Number of subscription rights to shares (in thousand stock)				Balance at end of this term (million yen)
			End of fiscal 2006	fiscal 2007 (Increase)	fiscal 2007 (Decrease)	End of this term	
Toho Pharmaceutical Co., Ltd.	Yen-denominated convertible bonds with subscription rights to shares due October 2, 2009 (note 1)	Common stock	5,509	—	220	5,289	—
	Subscription rights to shares as stock options (note 2)	—	—	—	—	—	21
Consolidated subsidiaries	—	—	—	—	—	—	—
Total			5,509	—	220	5,289	21

(Notes) 1. Yen-denominated convertible bonds with subscription rights to shares due October 2, 2009 were issued in compliance with the regulations stipulated in Article No. 341-2 of the former Commercial Code. The decrease during this term reflects the execution of subscription rights to shares. The subscription rights were issued without charge.

2. The first day of the period to exercise subscription rights to shares as stock options has yet to arrive.

3. Dividends

(1) Dividend Payment

Resolution	Type of shares	Total dividend amount (million yen)	Dividend per share (yen)	Record date	Effective date
June 29, 2006 Ordinary general meeting of shareholders	Common stock	520	10	March 31, 2006	Jun 29, 2006
November 9, 2006 Board of directors	Common stock	341	6	September 30, 2006	December 8, 2006

(2) Dividend whose record date falls within this term and whose effective date comes in the next term

Resolution	Type of shares	Total dividend amount (million yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
May 18, 2007 Board of directors	Common stock	341	Retained earnings	6	March 31, 2007	June 29, 2007

The Company plans to allocate retained earnings as the source of dividends.

(Notes to Interim Consolidated Statements of Cash Flows)

Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
(1) Reconciliation between cash and cash equivalents at the end of the fiscal year and amounts of related accounts in Consolidated Balance Sheet (As of March 31, 2006) (million yen) Cash on hand and on deposit: 33,511 Time deposits maturing beyond three months of deposit: △1,882 Short-term investments (investment securities) becoming due within three months of acquisition: 2,495 Cash and cash equivalents: 34,124	(1) Reconciliation between cash and cash equivalents at the end of the fiscal year and amounts of related accounts in Consolidated Balance Sheet (As of March 31, 2007) (million yen) Cash on hand and on deposit: 42,449 Time deposits maturing beyond three months of deposit: △1,016 Short-term investments (investment securities) becoming due within three months of acquisition: 1,996 Cash and cash equivalents: 43,429
(2) Major components of assets and liabilities of companies made into newly consolidated subsidiaries as a result of the acquisition of stock Components of assets and liabilities at consolidation of newly acquired stock, and cost and net balance of acquisition: (million yen) ・KOYO Current assets: 14,247 Fixed assets: 11,094 Consolidation adjustments account: △1,351 Current liabilities: △14,472 Fixed liabilities: △4,259 Minority equity: △2,704 Acquisition price of stock in Koyo: 2,554 Koyo's cash and cash equivalents: △1,424 Balance: Net payment for acquisition of stock in Koyo: 1,130	(2) Major components of assets and liabilities of companies made into newly consolidated subsidiaries as a result of the acquisition of stock Components of assets and liabilities at consolidation of newly acquired stock, and cost and net balance of acquisition: (million yen) ・Toyaku Current assets: 691 Fixed assets: 220 Goodwill: 1,830 Current liabilities: △623 Fixed liabilities: △214 Minority equity: △29 Acquisition price of stock in Toyaku: 1,875 Toyaku's cash and cash equivalents: △33 Balance: Net payment for acquisition of stock in Toyaku: 1,841
(3) Major components of assets and liabilities reduced by transfers of operations Assets reduced by transfer of operations from Koyo to Tsubasa during fiscal year under review: (million yen) Current assets: 897 Fixed assets: 3 Total assets: 901	(3) ――――――

Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
(4) Significant non-cash transactions Major components of assets and liabilities acquired as a result of stock swapping Assets and liabilities acquired as a result of swapping stocks with Kinoshita Yakuhin during the fiscal year under review are shown below. The stock swapping was responsible for an increase in capital surplus (other capital surplus) of 25 million yen. (million yen) Current assets 4,434 Fixed assets 994 Total assets 5,428 Current liabilities 3,467 Fixed liabilities 649 Total liabilities 4,116	(4) Significant non-cash transactions ① Exercise of equity warrants (million yen) Increase in capital stock due to exercised equity warrants 200 Increase in capital surplus due to exercised equity warrants 199 Decrease in warrant bonds due to exercised equity warrants 400 ② Major components of assets and liabilities acquired as a result of stock swapping Assets and liabilities acquired as a result of swapping stocks with Tsuruhara Yoshii during the fiscal year under review are shown below. The stock swapping was responsible for an increase in capital surplus (legal capital surplus) of 9,083 million yen. (million yen) Current assets 15,479 Fixed assets 7,367 Total assets 22,846 Current liabilities 13,629 Fixed liabilities 1,530 Total liabilities 15,160

(Segmental Information)

1. Segmental Information according to Types of Business

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

	Pharmaceutical (million yen)	Information Processing (million yen)	CRO and SMO (million yen)	Total (million yen)	Eliminations or corporate (million yen)	Consolidated (million yen)
I. Net sales and Operating expense (income)						
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
II. Assets, depreciation and amortization, impairment loss, and capital expenditure						
Assets	342,309	347	1,550	344,207	14,209	358,416
Depreciation and amortization	1,845	36	26	1,908	(4)	1,904
Impairment loss	611	—	—	611	—	611
Capital expenditure	2,822	11	285	3,118	(37)	3,081

Fiscal 2007 (from April 1, 2006 to March 31, 2007)

	Pharmaceutical (million yen)	Information Processing (million yen)	CRO and SMO (million yen)	Total (million yen)	Eliminations or corporate (million yen)	Consolidated (million yen)
I. Net sales and Operating expense (income)						
Net Sales						
(1) Net sales to external customers	772,385	89	960	773,436	—	773,436
(2) Inter-segment internal net sales or transfers	103	882	—	986	(986)	—
Total	772,489	972	960	774,422	(986)	773,436
Operating expense	762,335	918	1,042	764,296	(195)	764,101
Operating income	10,153	53	△81	10,126	(791)	9,335
II. Assets, depreciation and amortization, impairment loss, and capital expenditure						
Assets	378,420	286	2,232	380,939	15,507	396,447
Depreciation and amortization	1,959	1	50	2,011	(11)	2,000
Impairment loss	485	—	—	485	—	485
Capital expenditure	3,090	9	59	3,159	(3)	3,156

(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 ··················· Sales of pharmaceuticals, narcotics, reagents, etc., and sales of medical devices, medical equipment

(2) Information Processing ········ Information processing and development and sales of computer applied technology

(3) CRO and SMO ··················· SMO and CRO services

3. The amounts included in “Eliminations or Corporate” and their main descriptions are as follows:

	Fiscal 2006 (million yen)	Fiscal 2007 (million yen)	Major operations
Operating expenses non-allocatable, included in eliminations or corporate	812	830	Expenses incurred in the administration division, including general affairs and accounting, of the Company submitting Consolidated Financial Statements
Corporate assets included in eliminations or corporate	14,445	16,259	Surplus funds under management (fixed deposits) and funds in long-term investments (investment securities, etc.) of the Company submitting Consolidated Financial Statements and assets carried by the administration division

4. Depreciation and capital expenditure include long-term prepaid expense and its amortization.

5. Changes in accounting policy

As stipulated in “Basis of Presenting Consolidated Financial Statements 4. Accounting Principles (4) Principles for Accounting for Significant Allowances and Reserves ③ Accrued Retirement Benefits for Directors and Corporate Auditors,” effective from the fiscal year under review, the Company has applied “Accounting Standard for Directors’ Bonus” (issued by the Accounting Standards Board of Japan on November 29, 2005, ASBJ Statement No. 4). The effect of this application was to increase operating expenses for pharmaceutical operations by 92 million yen, and reduce operating income by the same amount in this consolidated fiscal year.

As stipulated in “Changes in Basis of Presenting Consolidated Financial Statements” (Accounting Standards for Stock Options), effective from the fiscal year under review, the Company has applied “Accounting Standard for Share-based Payment” (issued by the Accounting Standards Board of Japan on December 27, 2005, ASBJ Statement No. 8) and “Implementation Guidance on Accounting Standard for Share-based Payment” (issued by the Accounting Standards Board of Japan and revised on May 31, 2006, ASBJ Guidance No. 11). The effect of this application was to increase operating expenses for pharmaceutical operations by 21 million yen, and reduce operating income by the same amount in this consolidated fiscal year.

2. Segmental Information according to Geographical Locations

Fiscal 2006 (from April 1, 2005 to March 31, 2006)
This disclosure is not applicable, because all the Group’s consolidated subsidiaries are located in Japan.

Fiscal 2007 (from April 1, 2006 to March 31, 2007)
This disclosure is not applicable, because all the Group’s consolidated subsidiaries are located in Japan.

3. Overseas Sales

Fiscal 2006 (from April 1, 2005 to March 31, 2006)
This disclosure is not applicable, because the Group generates no sales outside Japan.

Fiscal 2007 (from April 1, 2006 to March 31, 2007)
This disclosure is not applicable, because the Group generates no sales outside Japan.

(Notes to Leases Transactions)

Fiscal 2006 (From April 1, 2005 to March 31, 2006)

Lease transactions other than those in which the ownership of the leased property is deemed to be transferred to the lessee

(1) Leased property's presumed amounts corresponding to acquisition cost, accumulated depreciation, and balance at the end of the fiscal year:

	Presumed acquisition cost (million yen)	Presumed accumulated depreciation (million yen)	Presumed balance at the end of the year (million yen)
Vehicles and carriers	18	12	6
Equipment and fixtures	4,505	2,348	2,156
Intangible fixed assets (software)	9	7	2
Total	4,534	2,368	2,165

(2) Presumed year-end balance of unaccrued lease payments and others:

Presumed year-end balance of unaccrued lease payments

Within one year	847 million yen
One year or more	1,353 million yen
Total	2,200 million yen

(3) Lease payments, transfer of impairment losses on lease assets, presumed depreciation, presumed interest expense, and impairment loss:

Lease payment	1,034 million yen
Presumed depreciation	990 million yen
Presumed interest expense	41 million yen

(4) Method of calculating presumed depreciation

Calculated on a straight-line basis assuming the lease period to be the useful life and the residual value diminishing to zero.

(5) Method of calculating presumed interest expense

Calculated by assuming the difference between total lease payment and leased property's presumed acquisition cost as the presumed interest allocated to each of the years covered by the interest method.

(Impairment loss)

No impairment loss attributable to lease assets was recognized.

Fiscal 2007 (From April 1, 2006 to March 31, 2007)

Lease transactions other than those in which the ownership of the leased property is deemed to be transferred to the lessee

(1) Leased property's presumed amounts corresponding to acquisition cost, accumulated depreciation, and balance at the end of the fiscal year:

	Presumed acquisition cost (million yen)	Presumed accumulated depreciation (million yen)	Presumed balance at year-end (million yen)
Vehicles and carriers	28	20	8
Equipment and fixtures	7,088	3,428	3,659
Intangible fixed assets (software)	68	14	53
Total	7,184	3,463	3,721

(2) Presumed year-end balance of unaccrued lease payments and others:

Presumed year-end balance of unaccrued lease payments

Within one year	997 million yen
One year or more	2,768 million yen
Total	3,766 million yen

(3) Lease payments, transfer of impairment losses on lease assets, presumed depreciation, presumed interest expense, and impairment loss:

Lease payment	1,132 million yen
Presumed depreciation	1,078 million yen
Presumed interest expense	64 million yen

(4) Method of calculating presumed depreciation

Same as in left column.

(5) Method of calculating presumed interest expense

Same as in left column.

(Impairment loss)

Same as in left column.

(Transactions with Related Parties)

Fiscal 2006 (From April 1, 2005 to March 31, 2006)

(1) Directors, Corporate Auditors, Individual Shareholders

Attribute	Name of company or other	Address	Capital or stock or cash investment	Description of business or occupation	Voting ownership (Under control) (%)	Relationship		Transactions	Amount of transactions	Account	Balance at year-end
						Directors shared	Business relationship				
Director	Muchio Nakasato	—	—	Toho Pharmaceutical's director Representative director of Shouei	(Under control) Direct ownership 0.0	—	—	Sales of pharmaceuticals to Shouei (Note 1)	27,573	Trade receivables	12,896
Director's own estimated ownership of company's voting rights exceeds 50%	Miura Yakuhin	Hachioji City, Tokyo	10	Real estate	—	One director shared	Buildings leased to Toho Pharmaceutical	Building leasing (Note 2)	24		—

(Note) 1. Transactions were conducted in the capacity of a representative of Toho Pharmaceutical, and subject to the same terms and conditions that applied to parties unrelated to the Company.

2. Rent was determined via negotiations on the basis of prevailing neighborhood market rates.

(2) Subsidiaries

Attribute	Name of company or other	Address	Capital or stock or cash investment	Description of business or occupation	Voting ownership (Under control) (%)	Relationship		Transactions	Amount of transactions	Account	Balance at year-end
						Directors shared	Business relationship				
Affiliate	Sakai Yakuhin	Mitaka City, Tokyo	60	Pharmaceutical wholesaling	Direct 35.0	Four directors shared	Supplied by Toho Pharmaceutical with pharmaceuticals	Sales transactions (Note)	11,050	Trade receivable	4,151

(Note) Pharmaceuticals were sold subject to the same terms and conditions that applied to parties unrelated to the Company.

(Note) Receivables are gross of consumption taxes but amounts of transactions are net of consumption taxes.

Fiscal 2007 (From April 1, 2006 to March 31, 2007)

(1) Directors, Corporate Auditors, Individual Shareholders

Attribute	Name of company or other	Address	Capital or stock or cash investment	Description of business or occupation	Voting ownership (Under control) (%)	Relationship		Transactions	Amount of transactions	Account	Balance at year-end
						Directors shared	Business relationship				
Director	Muchio Nakasato	—	—	Toho Pharmaceutical's director Representative director of Shouei	(Under control) Direct ownership 0.0	—	—	Sales of pharmaceuticals to Shouei (Note 1)	37,559	Trade receivables	13,135
Director's own estimated ownership of company voting rights exceeds 50%	Miura Yakuhin	Hachioji City, Tokyo	10	Real estate	—	One director shared	Buildings leased to Toho Pharmaceutical	Building leasing (Note 2)	6	—	—

(Note) 1. Transactions were conducted in the capacity of a representative of Toho Pharmaceutical, and subject to the same terms and conditions that applied to parties unrelated to the Company.

2. Rent was determined via negotiations on the basis of prevailing neighborhood market rates.

(2) Subsidiaries

Attribute	Name of company or other	Address	Capital or stock or cash investment	Description of business or occupation	Voting ownership (Under control) (%)	Relationship		Transactions	Amount of transactions	Account	Balance at year-end
						Directors shared	Business relationship				
Affiliate	Sakai Yakuhin	Mitaka City, Tokyo	60	Pharmaceutical wholesaling	Direct 35.0	Four directors shared	Supplied by Toho Pharmaceutical with pharmaceuticals	Sales transactions (Note)	11,460	Trade receivable	4,355

(Note) Pharmaceuticals were sold subject to the same terms and conditions that applied to parties unrelated to the Company.

(Note) Receivables are gross of consumption taxes but amounts of transactions are net of consumption taxes.

(Notes to Tax Effect Accounting)

Fiscal 2006 (March 31, 2006)

(1) Major components of deferred tax assets and deferred tax liabilities accrued

	(million yen)
Deferred tax assets (current assets)	
Accrued expenses	106
Enterprise tax payable	211
Accrued bonuses	851
Other	164
Total	1,333
Valuation reserve	△137
Subtotal	1,196
Deferred tax assets (fixed assets)	
Allowance for doubtful receivables	214
Investment securities	822
Accrued retirement benefits for employees	1,295
Accrued retirement benefits for directors and corporate auditors	370
Other long-term liabilities	283
Loss carried forward for tax purposes	989
Land revaluation difference	116
Impairment loss	353
Other	115
Total	4,562
Valuation reserve	△3,150
Subtotal	1,411
Total deferred tax assets	2,608
Deferred tax liabilities (long-term liabilities)	
Deferred capital gains on land	△709
Land and other revaluation difference due to capital consolidation of subsidiaries	△5,014
Revaluation difference on available-for-sale securities	△3,183
Total deferred tax liabilities	△8,907
Net deferred tax liabilities	△6,298

(2) Major components of difference between statutory effective tax rate and income tax, and other burden rate after application of tax effect accounting

	(%)
Statutory effective tax rate	40.5
(Adjustments)	
Entertainment expense and other items not permanently included in expense	2.9
Dividend income and other items not permanently included in income	△0.5
Increase in valuation reserve	10.3
Amortization of consolidation adjustment	△4.8
Per-capita inhabitant tax	1.6
Special income tax deduction	△3.6
Other	△0.7
Tax and other burden rate after application of tax effect accounting	45.7

Fiscal 2007 (March 31, 2007)

(1) Major components of deferred tax assets and deferred tax liabilities accrued

	(million yen)
Deferred tax assets (current assets)	
Accrued expenses	125
Enterprise tax payable	225
Accrued bonuses	960
Other	334
Total	1,646
Valuation reserve	△128
Subtotal	1,517
Deferred tax assets (fixed assets)	
Allowance for doubtful receivables	219
Investment securities	829
Accrued retirement benefits for employees	1,084
Other long-term liabilities	697
Loss carried forward for tax purposes	445
Impairment loss	699
Other	127
Total	4,103
Valuation reserve	△2,646
Subtotal	1,456
Total deferred tax assets	2,974
Deferred tax liabilities (long-term liabilities)	
Deferred capital gains on land	△760
Land and other revaluation difference due to capital consolidation of subsidiaries	△5,938
Revaluation difference on available-for-sale securities	△3,992
Other	△89
Total deferred tax liabilities	△10,781
Net deferred tax liabilities	△7,806

(2) Major components of difference between statutory effective tax rate and income tax, and other burden rate after application of tax effect accounting

	(%)
Statutory effective tax rate	40.5
(Adjustments)	
Entertainment expense and other items not permanently included in expense	2.1
Dividend income and other items not permanently included in income	△0.5
Amortization of goodwill	2.3
Amortization of negative goodwill	△4.1
Per-capita inhabitant tax	1.0
Loss carried forward deducted in this term	△5.5
Transfer from deferred tax assets	1.7
Other	0.3
Tax and other burden rate after application of tax effect accounting	37.8

(Notes to Marketable Securities)

1. Held-to-maturity bonds with available fair market values

	Types	Fiscal 2006 (March 31, 2006)			Fiscal 2007 (March 31, 2007)		
		consolidated balance sheet value (million yen)	Market value (million yen)	Difference (million yen)	consolidated balance sheet value (million yen)	Market value (million yen)	Difference (million yen)
Market value exceeding consolidated balance sheet value	(1) Government and municipal bonds	—	—	—	—	—	—
	(2) Corporate bonds	—	—	—	—	—	—
	(3) Others	—	—	—	—	—	—
	Subtotal	—	—	—	—	—	—
Market value not exceeding consolidated balance sheet value	(1) Government and municipal bonds	—	—	—	—	—	—
	(2) Corporate bonds	300	243	△56	1,300	1,244	△55
	(3) Others	—	—	—	—	—	—
	Subtotal	300	243	△56	1,300	1,244	△55
Total		300	243	△56	1,300	1,244	△55

2. Available-for-sale securities with available fair market values

	Types	Fiscal 2006 (March 31, 2006)			Fiscal 2007 (March 31, 2007)		
		Acquisition cost (million yen)	consolidated balance sheet value (million yen)	Difference (million yen)	Acquisition cost (million yen)	consolidated balance sheet value (million yen)	Difference (million yen)
Consolidated balance sheet value exceeding acquisition cost	(1) Stocks	4,927	12,900	7,972	5,241	15,173	9,932
	(2) Bonds						
	Government and municipal bonds	—	—	—	—	—	—
	Corporate bonds	—	—	—	—	—	—
	Others	—	—	—	—	—	—
	(3) Others	12	16	3	12	16	3
	Subtotal	4,940	12,916	7,976	5,254	15,190	9,936
Consolidated balance sheet value not exceeding acquisition cost	(1) Stocks	988	846	△141	1,208	1,007	△200
	(2) Bonds						
	Government and municipal bonds	—	—	—	—	—	—
	Corporate bonds	—	—	—	—	—	—
	Others	—	—	—	—	—	—
	(3) Others	—	—	—	48	48	△0
	Subtotal	988	846	△141	1,256	1,055	△200
Total		5,928	13,763	7,834	6,510	16,246	9,735

(Note)
1. Available-for-sales securities with available fair market values at the end of fiscal 2006 are not adjusted for impairments.
2. Acquisition costs at the end of fiscal 2007 are adjusted for impairments of 11 million yen.
3. An impairment adjustment is applied if the market value at the end of the fiscal year is more than about 50% lower than the acquisition cost. If the market value is about 30 to 50% lower than the acquisition cost, an impairment adjustment is applied, provided that the average of all end-of-month market values during the past year proves to be more than 30% lower than the acquisition cost.

3. Other available-for-sale securities unloaded during fiscal 2006 and during fiscal 2007

Fiscal 2006 (From April 1, 2005 to March 31, 2006)			Fiscal 2007 (From April 1, 2006 to March 31, 2007)		
Amount sold (million yen)	Total gains on sales (million yen)	Total losses on sales (million yen)	Amount sold (million yen)	Total gains on sales (million yen)	Total losses on sales (million yen)
62	25	0	78	54	0

4. Major securities instruments with no available fair market value

	Fiscal 2006 (March 31, 2006)	Fiscal 2007 (March 31, 2007)
	consolidated balance sheet value (million yen)	consolidated balance sheet value (million yen)
Available-for-sale securities		
Unlisted stocks	10,945	11,153
Money trusts	2,000	1,500
Money management funds Money management funds	495	496

(Note) 1. Stocks with no available fair market value at the end of fiscal 2006 are adjusted for impairments of 109 million yen.

2. Stocks with no available fair market value at the end of fiscal 2007 are adjusted for impairments of 0 million yen.

3. Unless evidence is found showing that the effective value of stock may recover the acquisition cost, a decline of more than 50% in the per-share net assets of the issuer of stock at the end of its most recent fiscal year compared with the per-share acquisition cost requires an impairment adjustment.

5. Scheduled redemptions of dated available-for-sale securities and held-to-maturity bonds

	Fiscal 2006(March 31, 2006)				Fiscal 2007(March 31, 2007)			
	Due within 1 year	Due beyond 1 year and within 5 years	Due beyond 5 years and within 10 years	Due beyond 10 years	Due within 1 year	Due beyond 1 year and within 5 years	Due beyond 5 years and within 10 years	Due beyond 10 years
(1) Stocks								
Bonds	1	—	—	—	—	—	—	—
Government and municipal bonds Corporate bonds	—	—	—	300	—	500	500	300
Others	—	—	—	—	—	—	—	—
(2) Others	—	—	—	—	—	—	—	—
Total	1	—	—	300	—	500	500	300

(Notes to Derivatives Transactions)

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

1. Status of Derivatives Transactions

(1) Transactions Details
The Company uses interest-related derivatives transactions and trades in interest swaps.

(2) Transactions Participation Policy
The Company's purpose in trading in derivatives is to avoid risks arising from future interest fluctuations, and its policy is not to trade in derivatives for speculative purposes.

(3) Purpose of Transactions
The Company uses interest-related derivatives transactions for the purpose of avoiding the risk of fluctuations in borrowing interest rates that may occur in tandem with increases in the interest market.
The Company applies hedge accounting by means of derivatives transactions.
Method of hedge accounting:
The Company applies the special accounting rule.
Hedging instrument: Interest swaps
Hedging assets: Borrowings

(4) Transactions Risk Details
Interest swap transactions carry the risk of fluctuating market interest rates.
The fact that the Company limits its counterparts to financial institutions of high credit standing underlies its conclusion that there is almost no credit risk involved in trading with those institutions.

(5) Transactions Risk Management Mechanism
Officers in charge of cash management are responsible for executing and administering derivatives transactions, with the execution thereof being subject to prior approval pursuant to bylaws regulating functional authorities. The director in charge reports the details of said transactions as required to the Board of Directors for confirmation.

2. Market Values of Transactions

This disclosure is not applicable since the Company applies hedge accounting (the special accounting rule).

Fiscal 2007 (from April 1, 2006 to March 31, 2007)

1. Status of Derivatives Transactions

(1) Transaction Details
The Company uses interest-related derivatives transactions and trades in interest swaps.

(2) Transactions Participation Policy
The Company's purpose in trading in derivatives is to avoid risks arising from future interest fluctuations, and its policy is not to trade in derivatives for speculative purposes.

(3) Purpose of Transactions
The Company uses interest-related derivatives transactions for the purpose of avoiding the risk of fluctuations in borrowing interest rates that may occur in tandem with increases in the interest market.
The Company applies hedge accounting by means of derivatives transactions.
Method of hedge accounting:
The Company applies the special accounting rule.
Hedging instrument: Interest swaps
Hedging assets: Borrowings

(4) Transactions Risk Details
Interest swap transactions carry the risk of fluctuating market interest rates.
The fact that the Company limits its counterparts to financial institutions of high credit standing underlies its conclusion that there is almost no credit risk involved in trading with those institutions.

(5) Transactions Risk Management Mechanism
Officers in charge of cash management are responsible for executing and administering derivatives transactions, with the execution thereof being subject to prior approval pursuant to bylaws regulating functional authorities. The director in charge reports the details of said transactions as required to the Board of Directors for confirmation.

2. Market Values of Transactions
This disclosure is not applicable since the Company applies hedge accounting (the special accounting rule).

(Notes to Retirement Benefits)

Fiscal 2006 (March 31, 2006)	Fiscal 2007 (March 31, 2007)
1. Description of retirement benefit arrangements adopted The Company submitting Consolidated Financial Statements and consolidated subsidiaries provides the defined benefit arrangements that comprise employees' pension fund, tax qualified retirement annuity, and lump-sum severance allowance programs, as well as defined contributory arrangements that comprise a defined contributory pension program. The Company submitting Consolidated Financial Statements and some consolidated subsidiaries switched over from tax-qualified retirement annuity and lump-sum severance allowance programs to a defined contributory pension program during this fiscal year under review.	1. Description of retirement benefit arrangements adopted The Company submitting Consolidated Financial Statements and consolidated subsidiaries provide the defined benefit arrangements that comprise employees' pension fund, tax qualified retirement annuity, and lump-sum severance allowance programs, as well as defined contributory arrangements that comprise a defined contributory pension program. One consolidated subsidiary switched over from lump-sum severance allowance program to a defined contributory pension program during this fiscal year under review.
2. Retirement benefit liability (As of March 31, 2006) (million yen) a. Retirement benefit liability △5,422 b. Pension plan assets 1,927 c. Unfunded retirement benefit liability (a + b) △3,495 d. Unrecognized actuarial difference △108 e. Unrecognized past service cost (reduced liability) — f. Consolidated Balance Sheet net total (c + d + e) △3,603 g. Prepaid pension expenses — h. Accrued retirement benefits (f - g) △3,603	2. Retirement benefit liability (As of March 31, 2007) (million yen) a. Retirement benefit liability △6,902 b. Pension plan assets (including retirement benefit trust) 4,508 c. Unfunded retirement benefit liability (a + b) △2,394 d. Unrecognized actuarial difference △352 e. Unrecognized past service cost (reduced liability) — f. Consolidated Balance Sheet net total (c + d + e) △2,747 g. Prepaid pension expenses 259 h. Accrued retirement benefits (f - g) △3,006
(Note) 1. Some consolidated subsidiaries adopt a simplified method of computing retirement benefit liabilities. 2. The Company submitting consolidated financial statements and two consolidated subsidiaries (Toho System Service and Tokai Toho) shifted entirely to a defined contributory pension program. In connection with this shift, they adopted a transitional program to pay retirement-age employees (still active on the payroll at the time of the switchover) lump-sum severance allowances in the amount of a portion of all benefits attributable to past service, upon their retirement. This involved recognition of the relevant retirement benefit liability as of the end of March 2006 to prepare for the payment of retirement benefits to these employees. 3. Effects due to switchover from tax qualified retirement annuity and lump-sum severance allowance programs to defined contributory defined program: Decrease in retirement benefit liability 11,341 Decrease in unrecognized actuarial difference 1,410 Decrease in plan assets 9,214 Decrease in accrued retirement benefits 716 The transfer of assets (estimated at 10,122 million yen) to the defined contributory program is scheduled for completion over a future period of four or eight years. The amount yet to be transferred at the end of the fiscal year under review (estimated at 807 million yen) was included in current liabilities under "Other" and in long-term liabilities under "Other."	(Note) 1. Same as in left column 2. Godo Toho (consolidated subsidiary) shifted entirely to a defined contributory pension program. In connection with this shift, it adopted a transitional program to pay retirement-age employees (still active on the payroll at the time of the switchover) lump-sum severance allowances in the amount of a portion of all benefits attributable to past service, upon their retirement. This involved recognition of the relevant retirement benefit liability as of the end of March 2007 to prepare for the payment of retirement benefits to these employees. 3. Effects due to switchover from lump-sum severance allowance program to defined contributory program: Decrease in retirement benefit liability 601 Decrease in unrecognized actuarial difference — Decrease in plan assets — Decrease in accrued retirement benefits 601 The transfer of assets (estimated at 698 million yen) to the defined contributory program is scheduled for completion over a future period of four years. The amount yet to be transferred at the end of the fiscal year under review (estimated at 523 million yen) was included in current liabilities under "Other" and in long-term liabilities under "Other."

Fiscal 2006 (March 31, 2006)	Fiscal 2007 (March 31, 2007)
3. Retirement benefit expenses (From April 1, 2005 to March 31, 2006) (Million yen) a. Service cost 1,222 b. Interest cost 88 c. Expected rate of return (subtractive) △33 d. Amortization of actuarial difference 50 e. Amortization of past service cost — f. Retirement benefit expenses (a + b + c + d + e) 1,328 g. Loss (profit) due to switchover to defined contributory pension program 188 h. Extraordinary premium retirement allowance 585 i. Contributions to defined contributory pension program 585 Total 2,687 (Notes) 1. The Company submitting Consolidated Financial Statements and some consolidated subsidiaries sponsor a multi-employer employees' pension fund. Their contributions to that fund (estimated at 885 million yen) are included in "a. Service Cost." 2. The retirement benefit expenses reported by consolidated subsidiaries adopting the simplified method are included in "a. Service Cost."	3. Retirement benefit expenses (From April 1, 2006 to March 31, 2007) (Million yen) a. Service cost 1,244 b. Interest cost 119 c. Expected rate of return (subtractive) △92 d. Amortization of actuarial difference 141 e. Amortization of past service cost — f. Retirement benefit expenses (a + b + c + d + e) 1,413 g. Loss (profit) due to switchover to defined contributory pension program 96 h. Extraordinary premium retirement allowance — i. Contributions to defined contributory pension program 680 Total 2,189 (Notes) 1. The Company submitting Consolidated Financial Statements and some consolidated subsidiaries sponsor a multi-employer employees' pension fund. Their contributions to that fund (estimated at 927 million yen) are included in "a. Service Cost." 2. The retirement benefit expenses reported by consolidated subsidiaries adopting the simplified method are included in "a. Service Cost."
4. Basic assumptions for computing retirement benefit liability a. Period allocation method for estimated retirement benefits Periodic fixed amount b. Discount rate 2.0% c. Expected return on investment 2.0% d. Number of years for recognition of past service cost — e. Number of years for recognition of actuarial difference 7 years (Actuarial differences are prorated on a straight-line basis over a certain number of years within the average remaining service period of eligible employees when accrued during each fiscal year, and recognized as an expense over the fiscal years following that accrual.)	4. Basic assumptions for computing retirement benefit liability a. Period allocation method for estimated retirement benefits Periodic fixed amount b. Discount rate 2.0% c. Expected return on investment 2.0%, 3.0% d. Number of years for recognition of past service cost — e. Number of years for recognition of actuarial difference 7 years, 10 years (Actuarial differences are prorated on a straight-line basis over a certain number of years within the average remaining service period of eligible employees when accrued during each fiscal year, and recognized as an expense over the fiscal years following that accrual.)
5. Corporate pension assets under multi-employer arrangements The Company submitting Consolidated Financial Statements and some consolidated subsidiaries sponsor a multi-employer employees' pension fund, making it impossible for them to reasonably estimate the amount of pension plan assets corresponding to their own contributions. For this reason, these plan assets are not reflected in "2. Retirement Benefit Liability." The plan assets attributed to them in proportion to their total wages are as follows: Plan assets: 24,488 million yen	5. Corporate pension assets under multi-employer arrangements The Company submitting Consolidated Financial Statements and some consolidated subsidiaries sponsor a multi-employer employees' pension fund, making it impossible for them to reasonably estimate the amount of pension plan assets corresponding to their own contributions. For this reason, these plan assets are not reflected in "2. Retirement Benefit Liability." The plan assets attributed to them in proportion to their total wages are as follows: Plan assets: 26,270 million yen

(Notes to Stock Options)

Fiscal 2007 (From April 1, 2006 to March 31, 2007)

1. Recorded cost and account item in this consolidated fiscal year
   Selling, general and administrative expenses “Directors' salaries and employees' salaries and allowances”
   21 million yen
2. Details, size and changes in stock options

(1) Details of stock options

Name of Company	Toho Pharmaceutical Co., Ltd.
Company Name	July 20, 2006
Category and number of entitled persons	The Company's directors 24
Type and number of shares granted	Common stock 150,000 shares
Date granted	August 7, 2006
Conditions for proper allotment	Possible to exercise rights on or after July 20, 2008.
Tenure for entitlement	From August 8, 2006 to July 19, 2008
Exercise period	From July 1, 2008 to June 30, 2011

(2) Size and changes in stock options

① Number of stock options

Company Name	Toho Pharmaceutical
Date of resolution	July 20, 2006
Before proper allotment	
At beginning of the term (shares)	—
Granted (shares)	150,000
Lapsed (shares)	—
Proper allotment (shares)	—
Pending balance (shares)	150,000
After expiration date	
At beginning of the term (shares)	—
Proper allotment (shares)	—
Exercised (shares)	—
Lapsed (shares)	—
Unexercised (shares)	—

② Information on unit price

Company Name	Toho Pharmaceutical
Date of resolution	July 20, 2006
Exercise price (yen)	2,429
Average price during exercise (yen)	—
Unit price in fair evaluation on date granted (yen)	418

3. Method of estimation for fair evaluation of unit price for stock options granted this consolidated fiscal year

(1) Applied calculation method
   Black-Scholes method

(2) Major basic figures applied and method of estimation

Stock price volatility (note 1)	40.6%
Estimated remaining period (note 2)	3.40 years
Estimated dividend (note 3)	12 yen per share
Risk-free interest rate (note 4)	0.97%

(Note) 1. Calculated based on actual stock prices from March 13, 2003 to August 7, 2006.
2. Due to difficulties in rational estimation, the period was set from the date of proper allotment to the date in the middle of the exercise period.
3. This is based on the dividend scheduled for the fiscal year ended March 2007.
4. From the secondary-market interest rates of long-term, interest-bearing government bonds (10 years) and mid-term interest-bearing government bonds (2 years) on the date of proper allotment (August 7, 2006), the yield was prorated in proportion to the estimated remaining period (3.40 years) and converted into a continuously compounded yield.

4. Method of estimating number of proper allotment for stock options
   Due to basic difficulties in rational estimation of the number of rights to lapse in future, the method applied only uses the number of actually lapsed rights.

(Notes to Business Combinations)
Fiscal 2007 (From April 1, 2006 to March 31, 2007)

・Corporate Acquisitions by Stock Swapping

1. Acquired company's name, business lines, reason for business combination, date of business combination, legal form of business combination, corporate name after business combination and ratio of acquired voting rights
   (1) Acquired company's name and business lines
       Tsuruhara Yoshii Pharmaceutical wholesaling
   (2) Main reason for business combination
       Upon consideration of pharmaceutical market trends and the future orientation of the industry, it was judged necessary to further strengthen business ties and to promote swift cooperation.
   (3) Date of business combination
       April 1, 2006
   (4) Legal form of business combination
       Stock swapping
   (5) Corporate name after business combination
       Toho Pharmaceutical
   (6) Ratio of acquired voting rights
       96.5%
2. Period of business performance by the acquired company included in the consolidated financial statements
   From April 1, 2006 to March 31, 2007
3. Acquisition costs for acquired company and their breakdown

Acquisition price	
Stocks of Toho Pharmaceutical	9,083 million yen
Payment directly required for the acquisition	
Stock-issuing expenses etc.	12 million yen
Acquisition costs	9,096 million yen

4. Types of stocks, exchange ratio, calculation method, number of exchanged stocks and evaluation value
   (1) Types of stocks and exchange ratio
       Common stock Toho Pharmaceutical 1 : Tsuruhara Yoshii 0.58
   (2) Calculation method for exchange ratio
       Based on stock swapping ratio calculation statements prepared by a third party in discretely adopting the adjusted net asset value method, present value-based property appraisal for Tsuruhara Yoshii, and the average current cost method for Toho Pharmaceutical, the method of calculating the swapping ratio was determined in discussions between both sides.
   (3) Number of exchanged stocks and evaluation value
       5,841,470 stocks 9,083 million yen
5. Amount, cause, amortization method and amortization period of accrued goodwill or negative goodwill
   (1) Value of goodwill 1,505 million yen
   (2) Cause
       Accrued after rational estimation of future excess profitability.
   (3) Amortization method and amortization period
       The goodwill will be amortized over ten years in equal amounts.
6. Assets and liabilities accepted on the date of business consolidation and the main details
   (1) Assets

Cash and cash equivalents	980 million yen
Accounts receivable	10,369 million yen
Inventories	2,518 million yen
Land	2,173 million yen
Investments in securities	1,447 million yen
Others	3,055 million yen
Total	20,545 million yen

   (2) Liabilities

Notes payable	2,273 million yen
Accounts receivable	10,681 million yen
Others	1,240 million yen
Total	14,195 million yen

7. Estimated amounts that would affect the consolidated statements of income for this term assuming that the business combination will be complete at the beginning of the term:
   Since the consolidation started from the beginning of this term, the aforementioned estimates are the same as those described in this financial statements.

・Corporate acquisition by acquiring funds

1. Acquired company's name, business lines, reason for business combination, date of business combination, legal form of business combination, corporate name after business combination and ratio of acquired voting rights
   (1) Acquired company's name and business lines
   Toyaku Operation of dispensing pharmacies
   (2) Main reason for business combination
   The Company conducted the business execution in order to expand dispensing pharmacy business.
   (3) Date of business combination
   April 3, 2006
   (4) Legal form of business combination
   Acquisition
   (5) Corporate name after business combination
   Toho Pharmaceutical
   (6) Ratio of acquired voting rights
   60.61%
2. Period of business performance of acquired company included in the interim consolidated financial statements
   From April 1, 2006 to March 31, 2007
3. Acquisition costs for acquired company and their breakdown

Acquisition price	
Cash	1,875 million yen
Payment directly required for the acquisition	—
Acquisition costs	1,875 million yen

4. Amount, cause, amortization method and amortization period of accrued goodwill or negative goodwill
   (1) Value of goodwill 1,830 million yen
   (2) Cause
   Accrued after rational estimation of future excess profitability.
   (3) Amortization method and amortization period
   The goodwill will be amortized over ten years in equal amounts.
5. Assets and liabilities accepted on the date of business consolidation and the main details

(1) Assets

Cash and cash equivalents	53 million yen
Accounts receivable	456 million yen
Inventories	158 million yen
Buildings and structures	98 million yen
Others	144 million yen
Total	911 million yen

(2) Liabilities

Accounts payable	548 million yen
Long-term debt	214 million yen
Others	74 million yen
Total	837 million yen

6. Estimated amounts that would affect the consolidated statements of income for this term assuming that the business combination will be complete at the beginning of the term:
   Since the consolidation started from the beginning of this term, the aforementioned estimates are the same as those described in this financial statements.

・Transactions under Common Control due to Merger

1. Names and lines of business of companies subject to business combination, legal form of business combination, corporate name after business combination, and reason for merger and outline

   (1) Names and business lines of companies subject to business combination

   Tokai Toho   Pharmaceutical wholesaling

   (2) Legal form of business combination

   Merger

   (3) Corporate name after business combination

   Toho Pharmaceutical

   (4) Reason for merger and outline

   In order to yield sufficient results under harsh industry conditions, it was judged as optimal to become united and operate with the organizations of Toho Pharmaceutical.

2. Outline of conducted account processing

   Account processing was conducted in compliance with “Accounting Standards for Business Combinations” 3-4 Account Processing for Transactions under Common Control (issued by the Business Accounting Council of Japan on October 31, 2003).

(Information per Share)

Fiscal 2006 (From April 1, 2005 to March 31, 2006)		Fiscal 2007 (From April 1, 2006 to March 31, 2007)	
Net asset per share	1,092.58	Net asset per share	1,247.22
Net income per share	72.26	Net income per share	125.82
Net income per share-Diluted	65.02	Net income per share-Diluted	115.10

(Note) Basis of calculation

1. Net Asset per Share

Item	Fiscal 2006 (March 31, 2006)	Fiscal 2007 (March 31, 2007)
Total net asset on consolidated balance sheet (million yen)	—	76,790
Net assets related to common stock (million yen)	—	71,048
Major components of the difference (million yen)		
Equity warrants	—	21
Minority interest	—	5,720
Number of shares of outstanding common stock (in units of 1000)	—	59,219
Number of treasury shares in common stock (in units of 1000)	—	2,253
Number of shares of common stock used in calculating net asset per share (in units of 1000)	—	56,965

2. Net Income per Share and Net Income per Share after Adjustments on Potential Shares

	Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2005 to March 31, 2007)
Net income per share		
Net income (million yen)	3,612	7,218
Amount not related to shareholders of common stock (million yen)	36	—
(including directors' bonuses due to appreciation of earnings)	(36)	(—)
Net income from common stock (million yen)	3,575	7,218
Average number of shares outstanding during fiscal year (in units of 1000)	49,490	57,369
Net income per share after adjustments on potential shares		
Adjustment for net income (million yen)	—	—
Increase in number of shares of common stock (in units of 1000)	5,509	5,344
(including convertible bonds with subscription rights to shares)	(5,509)	(5,344)
Outline of potential shares not included in calculation of current net income per share after adjustments on potential shares due to no dilution effect	—	—

(Significant Subsequent Events)

Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
The Company and Tsuruhara Yoshii swapped their own stocks with each other on April 1, 2006, subject to the terms specified in their agreement for that purpose. The agreement had previously been approved at the Company's extraordinary general meeting of shareholders on February 16, 2006, and at Tsuruhara Yoshii's extraordinary general meeting of shareholders on January 20, 2006. 1. The swapping of stocks is outlined below. (1) Description of swapping stocks The Company and Tsuruhara Yoshii swapped stocks for the purpose of making the Company the sole company of its now wholly owned subsidiary, Tsuruhara Yoshii. (2) Stock for allocation and delivery for swapping stocks and its allocation For the purpose of swapping stocks, the Company issued 5,841,470 new shares of its common stock, and allocated and delivered them to shareholders recorded in Tsuruhara Yoshii's shareholders register at the close of business on the date preceding the date of swapping stocks. A 0.580 share of the Company's common stock was swapped with each share of Tsuruhara Yoshii's common stock held by these shareholders. (3) Increase in capital stock and capital surplus ① Capital stock Capital stock did not increase due to stock swapping. ② Capital surplus 9,083 million yen 2. Tsuruhara Yoshii's primary line of business and size (1) Primary line of business, etc. Wholesaling of pharmaceuticals (2) Net sales and net income during most recent fiscal year (from April 1, 2005 to March 31, 2006) Net sales 49,121 million yen Net income 107 million yen (3) Assets, liabilities, shareholders' equity, and number of employees at end of most recent fiscal year (ending March 31, 2006) Assets 20,545 million yen Liabilities 14,173 million yen capital 522 million yen Number of employees 439	―――
―――	Based on the resolution at the Company's board meeting held on August 17, 2006, its two wholly owned subsidiaries, Tsuruhara Yoshii and Yakushin, merged on April 1, 2007 and changed the corporate name to Kyushu Toho. 1. Names and lines of business of companies subject to the business combination Tsuruhara Yoshii, Yakushin Pharmaceutical wholesaling (both) 2. Legal form of business combination Merger 3. Corporate name after business combination Tsuruhara Yoshii (Toho Pharmaceutical's wholly owned subsidiary) 4. Reason for merger and outline In order to ensure the effective use of managerial resources and strengthen marketing activities in the Kyushu region, it was judged as optimal to merge the two companies. Tsuruhara Yoshii operates throughout Kyushu, while Yakushin operates mainly in Fukuoka and Nagasaki Prefectures.

Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
	5. Outline of account processing conducted Account processing was conducted in compliance with "Accounting Standards for Business Combinations" 3-4 Account Processing for Transactions under Common Control (issued by the Business Accounting Council of Japan on October 31, 2003). 6. Impact on financial conditions and business results in the next fiscal year Since both companies are wholly owned subsidiaries of Toho Pharmaceutical, there will be no impact on the Company's financial conditions and business results.

5. Non-consolidated Financial Statements

(1) Balance Sheets

Account	Note ref. No.	Fiscal 2006 (As of March 31, 2006) Amount (Millions of yen)		Share (%)	Fiscal 2007 (As of March 31, 2007) Amount (Millions of yen)		Share (%)
(Assets)							
I Current assets							
1. Cash on hand and on deposit	(Note 1)		16,608			34,988	
2. Notes receivable			3,576			2,013	
3. Accounts receivable	(Note 6)		194,602			204,330	
4. Marketable securities			2,000			1,500	
5. Merchandise			36,406			37,964	
6. Prepaid expenses			37			34	
7. Deferred tax assets			653			669	
8. Purchase rebates receivable			10,318			10,908	
9. Other accounts receivable	(Note 6)		3,516			4,312	
10. Short-term loans receivable	(Note 6)		—			5,433	
11.Other			259			26	
Allowance for doubtful receivables			△213			△ 109	
Total current assets			267,766	83.2		302,073	81.6
II Fixed assets							
1. Property, plant and equipment							
(1) Buildings	(Notes 1 & 2)		9,471			9,917	
(2) Structures	(Note 2)		274			271	
(3) Vehicles and carriers	(Note 2)		76			4	
(4) Equipment and fixtures	(Note 2)		1,080			811	
(5) Land	(Notes 1 & 7)		13,604			14,215	
(6) Construction in progress			103			79	
Total property, plant and equipment			24,611	7.6		25,301	6.8
2. Intangible fixed assets							
(1) Goodwill			526			—	
(2) Goodwill			—			350	
(3) Leaseholds			145			145	
(4) Software			1,851			2,291	
(5) Other			109			197	
Total intangible fixed assets			2,631	0.8		2,984	0.8

		Fiscal 2006 (As of March 31, 2006)			Fiscal 2007 (As of March 31, 2007)		
Account	Note ref. No.	Amount (Millions of yen)		Share (%)	Amount (Millions of yen)		Share (%)
3. Investments and other assets							
(1) Investments in securities	(Note 1)		10,279			12,978	
(2) Equity shares in associated companies			14,607			23,194	
(3) Capital contributions to investees			43			42	
(4) Long-term loans receivable			375			376	
(5) Long-term loans receivable to associated companies			249			349	
(6) Claims provable in bankruptcy and rehabilitation Claims provable in rehabilitation and other claims Other claims			289			381	
(7) Long-term prepaid expenses			105			109	
(8) Others			1,309			3,023	
Allowance for doubtful receivables			△446			△579	
Total investments and other assets			26,814	8.4		39,876	10.8
Total fixed assets			54,057	16.8		68,162	18.4
Total assets			321,823	100.0		370,235	100.0

Account	Note ref. No.	Fiscal 2006 (As of March 31, 2006) Amount (Millions of yen)	Share (%)	Fiscal 2007 (As of March 31, 2007) Amount (Millions of yen)	Share (%)
(Liabilities)					
Ⅰ Current liabilities					
1. Notes payable	(Note1,10)	1,871		945	
2. Accounts payable	(Note 1)	238,840		265,375	
3. Short-term loans payable	(Note 1)	590		270	
4. Current portion of long-term debt	(Note 1)	1,283		333	
5. Accrued amount payable	(Note 6)	7,528		9,096	
6. Accrued expenses		765		761	
7. Income taxes payable		1,076		1,334	
8. Consumption taxes payable		161		514	
9. Deposits payable	(Note 6)	111		10,749	
10. Accrued bonuses		1,012		1,111	
11. Accrued bonuses for directors and corporate auditors		―		36	
12. Reserve for sales returns		180		192	
13. Others		13		3	
Total current liabilities		253,435	78.8	290,725	78.5
Ⅱ Long-term liabilities					
1. Bonds payable		10,000		9,600	
2. Long-term debt	(Note 1)	366		33	
3. Deferred tax liabilities		1,736		2,332	
4. Deferred tax liabilities due to revaluation	(Note 7)	1,312		1,414	
5. Accrued retirement benefits for employees		1,015		991	
6. Accrued retirement benefits for directors and corporate auditors		306		―	
7. Guarantee loss reserve		12		―	
8. Negative goodwill		―		117	
9. Others		2,062		2,625	
Total long-term liabilities		16,811	5.2	17,114	4.6
Total liabilities		270,247	84.0	307,839	83.1

Account	Note ref. No.	Fiscal 2006 (As of March 31, 2006) Amount (Millions of yen)		Share (%)	Fiscal 2007 (As of March 31, 2007) Amount (Millions of yen)		Share (%)
(Shareholders' equity)							
Ⅰ Common stock	(Note 3,11)		10,399	3.2		—	—
Ⅱ Capital surplus							
Legal capital reserve		16,922			—		
Total capital surplus			16,922	5.3		—	—
Ⅲ Retained earnings							
1. Legal earned reserve		664			—		
2. Voluntary earned reserve							
(1) Deferred capital gains on land		1,053			—		
(2) General reserves		24,133			—		
3. Unappropriated retained earnings at end of the term		1,930			—		
Total retained earnings			27,781	8.6		—	—
Ⅳ Unrealized gains on revaluation of land	(Note 7)		△4,859	△1.5		—	—
Ⅴ Unrealized gains on available-for-sale securities	(Note 8)		2,591	0.8		—	—
Ⅵ Treasury stock	(Note 4)		△1,259	△0.4		—	—
Total shareholders' equity			51,576	16.0		—	—
Total liabilities and shareholders' equity			321,823	100.0		—	—
(Net assets)							
Ⅰ Shareholders' equity							
1. Common stock			—			10,599	
2. Capital surplus							
Legal capital reserve			—			26,206	
3. Retained earnings							
(1) Legal earned reserve		—			664		
(2) Other retained earnings							
Unrealized gains on land		—			1,041		
Contingency reserve		—			25,433		
Unappropriated retained earnings		—			3,549		
Total retained earnings			—			30,688	
4. Treasury stock			—			△3,507	
Total shareholders' equity			—	—		63,986	17.3
Ⅱ Unrealized gains on revaluation							
1. Unrealized gains on available-for-sale securities			—			3,126	
2. Unrealized gains on revaluation of land	(Note 7)		—			△4,739	
Total unrealized gains on revaluation			—	—		△1,612	△0.4
Ⅲ Equity warrants			—	—		21	0.0
Total net assets			—	—		62,396	16.9
Total liabilities and net assets			—	—		370,235	100.0

(2) Statements of Income

Account	Note ref. No.	Fiscal 2006 (From April 1, 2005 to March 31, 2006) Amount (Millions of yen)		Share (%)	Fiscal 2007 (From April 1, 2006 to March 31, 2007) Amount (Millions of yen)		Share (%)
I Net sales	(Note 1)		679,917	100.0		729,380	100.0
II Cost of sales							
1. Beginning goods		32,344			36,406		
2. Transfer of goods by merger		—			690		
3. Cost of purchased goods		655,777			697,622		
Total		688,121			734,719		
4. Goods transfer to/from other account	(Note 2)	27			38		
5. Ending goods		36,406	651,687	95.8	37,964	696,716	95.5
Gross income			28,230			32,663	
Reversal of reserve for sales returns			52			5	
Gross income after reserve for sales returns			28,282	4.2		32,668	4.5
III Selling, general and administrative expenses							
1. Directors' salaries and employees' salaries and allowances		11,937			12,583		
2. Provision for accrued bonuses		1,012			1,111		
3. Provision for directors' bonuses.		—			36		
4. Provision for accrued retirement benefits for employees		0			102		
5. Provision for accrued retirement benefits for directors and corporate auditors		32			9		
6. Welfare expense		1,701			1,841		
7. Vehicle expenses		462			531		
8. Provision for allowance for doubtful receivables		—			75		
9. Depreciation and amortization		1,412			1,531		
10. Amortization expenses for goodwill		—			175		
11. Rent		1,789			2,107		
12. Taxes and dues		515			484		
13. Commission fee		2,898			3,376		
14. Miscellaneous expenses		3,218	24,982	3.7	3,630	27,598	3.8
Operating income			3,299	0.5		5,070	0.7
IV Non-operating income	(Note 1)						
1. Interest income		63			104		
2. Dividend income		274			351		
3. Fee income		790			—		
4. Information sales income		—			976		
5. Real estate rental income		283			269		
6. Amortization expenses for negative goodwill		—			117		
7. Miscellaneous income		362	1,774	0.2	418	2,236	0.3
V Non-operating expenses							
1. Interest expenses	(Note 1)	86			57		
2. New share issue expense		36			—		
3. Specified line commitment fees		54			47		
4. Loss on corporate insurance cancellation		24			—		
5. Miscellaneous losses		13	215	0.0	20	125	0.0
Ordinary income			4,858	0.7		7,181	1.0

Account	Note ref. No.	Fiscal 2006 (From April 1, 2005 to March 31, 2006) Amount (Millions of yen)		Share (%)	Fiscal 2007 (From April 1, 2006 to March 31, 2007) Amount (Millions of yen)		Share (%)
Ⅵ Extraordinary gains							
1. Gains on sales of fixed assets	(No 3)	18			17		
2. Gains on sales of stocks of affiliate companies		—			177		
3. Gains on sales of investment securities		0			—		
4. Gain due to switchover to defined contribution pension program		23			—		
5. Reversal of allowance for doubtful receivables		36			—		
6. Reversal of debt guarantee for reserve		13	91	0.0	12	206	0.0
Ⅶ Extraordinary losses							
1. Gain on disposal of fixed assets	(No 4)	303			525		
2. Loss on revaluation of investment securities		47			11		
3. Directors' retirement benefits		—			48		
4. Variance from disposal of tying stocks		—			593		
5. Impairment loss	(No 5)	265			12		
6. Loss on sale of golf club memberships					3		
7. Loss on revaluation of golf club memberships		—			8		
8. Others		0	617	0.1	—	1,202	0.1
Net income before taxes			4,332	0.6		6,186	0.9
Corporate income, inhabitant and enterprise taxes		1,643			2,124		
Adjustments for income taxes		481	2,124	0.3	129	2,253	0.4
Net Income			2,207	0.3		3,932	0.5
Balance brought forward			103			—	
Transfer from unrealized gains on revaluation of land			□151			—	
Loss on disposal of treasury shares			228			—	
Unappropriated earnings			1,930			—	

(3) Appropriation Statement

Account	Note ref. No.	Fiscal 2006 (Date of approval at general meeting of shareholders on June 29, 2006) Amount (Millions of yen)	
I Unappropriated income at end of term			1,930
II Transfer from voluntary reserves			
Transfer from deferred capital gains on land		10	10
Total			1,941
III Appropriation of retained income			
1. Dividends		520	
2. Directors' Bonuses		36	
(including auditors' bonuses)		(2)	
3. Voluntary reserves			
General reserves		1,300	1,857
IV Income carried forward			84

(4) Statement of Changes in Shareholders' Equity
Fiscal2007 (From April 1, 2006 to March 31, 2007)

	Shareholders' equity								
	Common stock	Capital surplus	Retained earnings					Treasury stock	Total shareholders' equity
		Legal capital reserve	Legal earned reserve	Other retained earnings			Total retained earnings		
				Unrealized gains on land	Contingency reserve	Unappropriated retained earnings			
Balance as of March 31, 2006 (million yen)	10,399	16,922	664	1,053	24,133	1,930	27,781	△ 1,259	53,844
Changes during this term									
New shares issued by stock swapping		9,083							9,083
Increase due to exercised warrant bonds	200	199							400
Surplus distributed to shareholders (Note 1)						△ 862	△ 862		△ 862
Bonuses to directors and corporate auditors (Note 2)						△ 36	△ 36		△ 36
Transfer to contingency reserve (Note 2)					1,300	△ 1,300	—		—
Net income						3,932	3,932		3,932
Own company stock reacquired								△ 2,247	△ 2,247
Transfer from unrealized gains on land (Note 3)				△ 21		21	—		—
Reserve for deferred capital gains on land				9		△ 9	—		—
Transfer from land revaluation excess						△ 126	△ 126		△ 126
Change (net increase or decrease) in non-shareholders' equity items during this term									
Total changes during this term (million yen)	200	9,283	—	△ 11	1,300	1,618	2,906	△ 2,247	10,142
Balance as of March 31, 2007 (million yen)	10,599	26,206	664	1,041	25,433	3,549	30,688	△ 3,507	63,986

	Unrealized gains on revaluation			Equity warrants	Total net assets
	Unrealized gains on available-for-sale securities	Unrealized gains on revaluation of land	Total unrealized gains on revaluation		
Balance as of March 31, 2006 (million yen)	2,591	△ 4,859	△ 2,267	—	51,576
Changes during this term					
New shares issued by stock swapping					9,083
Increase due to exercised warrant bonds					400
Surplus distributed to shareholders (Note 1)					△ 862
Bonuses to directors and corporate auditors (Note 2)					△ 36
Transfer to contingency reserve (Note 2)					—
Net income					3,932
Own company stock reacquired					△ 2,247
Transfer from unrealized gains on land (Note 3)					—
Reserve for deferred capital gains on land					—
Transfer from land revaluation excess					△ 126
Change (net increase or decrease) in non-shareholders' equity items during this term	535	119	655	21	676
Total changes during this term (million yen)	535	119	655	21	10,819
Balance as of March 31, 2007 (million yen)	3,126	△ 4,739	△1,612	21	62,396

(Note)
1. This includes 520 million yen for appreciation of retained earnings at ordinary general meeting of shareholders in June 2006, and 341 million yen due to resolution at board of directors meeting in November 2006.
2. This is due to appreciation of retained earnings at ordinary general meeting of shareholders in June 2006.
3. This includes 10 million yen for appreciation of retained earnings at ordinary general meeting of shareholders in June 2006, and 10 million yen due to the transfer during the fiscal year under review.

(5) Significant Accounting Policies

Item	Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
1. Basis and Method of Valuation of Marketable Securities	Held-to-maturity debt securities Stated at cost amortized on a straight-line basis. Stocks of subsidiaries and associated companies Stated at average-moving cost Available-for-sale securities With available fair market value: Stated at fair market value based principally on the market price as of the settlement date. (All unrealized gains and losses are included as separate components of shareholders' equity, and the cost of securities sold is determined using the moving-average method.) With no available fair market value: Stated at moving-average cost.	Held-to-maturity debt securities Same as in left column Stocks of subsidiaries and associated companies Same as in left column Available-for-sale securities With available fair market value: Stated at fair market value based principally on the market price as of the settlement date. (All unrealized gains and losses are included as a separate component of shareholders' equity, and the cost of securities sold is determined using the moving-average method.) With no available fair market value: Same as in left column
2. Basis and Method of Valuation of Inventories	Stated at moving-average cost.	Same as in left column
3. Method of Depreciation of Fixed Assets		
(1) Property, plants, and equipment:	Depreciated by the declining-balance method. Buildings (except for structures attached to buildings) acquired on and after April 1, 1998 are depreciated by the straight-line method. The estimated useful lives of major asset categories are as follows: Buildings and structures: 10 - 50 years Vehicles and carriers: 5 - 6 years Equipment and fixtures: 5 - 15 years	Same as in left column
(2) Intangible fixed assets:	Amortized by the straight-line method. Goodwill is amortized in equal amounts over five years, and software for internal use is amortized by the straight-line method over the estimated useful life for in-house use (five years).	Amortized by the straight-line method. Software for internal use is amortized by the straight-line method over the estimated useful life for in-house use (five years).
(3) Long-term prepaid expenses	Amortized in equal amounts.	Same as in left column
4. Method of Accounting for Deferred Assets New share issue expense:	Charged entirely to income as disbursed.	――――
5. Principles of Accounting for Significant Allowances and Reserves		
(1) Allowance for Doubtful Receivables	The allowance for doubtful receivables is provided to cover possible losses on the collection of trade receivables, loans receivable, and others. The actual rate of historical bad debts is used for normal receivables and certain receivables, including those subject to possible loss, with the recoverability of individual accounts investigated and the uncollectible amount estimated.	Same as in left column
(2) Accrued Bonuses	The estimated amount payable is provided to fund bonus payments to eligible employees and directors, who are also employees of the Group.	Same as in left column
(3) Provision for directors' bonuses	――――	In order to fund directors' bonuses from the estimated amount payable for this fiscal year, the obligation for this fiscal year has been recorded.

Item	Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
		(Change in accounting policy) Effective from this consolidated accounting term under review, the Company adopts "the Accounting Standards for Directors' Bonuses" (issued by the Accounting Standards Board of Japan on November 29, 2005, ASBJ Statement No. 4). The effect of this application was to reduce operating income, ordinary income, and net income before taxes by 36 million yen each.
(4) Reserve for Sales Returns	The estimated amount of losses on future sales returns is provided to cover possible losses on sales returns.	Same as in left column
(5) Accrued Retirement Benefits for Employees	In connection with the entire shift to a defined contributory pension program (refer to additional information), a transitional program was introduced to pay retirement-age employees (still active on the payroll at the end of March 2005) lump-sum severance allowances in the amount of a portion of all benefits attributable to past service, upon their retirement. This involved recognition of the relevant retirement benefit liability as of the end of March 2006 to prepare for the payment of retirement benefits to these employees. Actuarial differences are insignificant and recognized as expenses in the fiscal year when accrued. (Additional information) In compliance with the enforcement of the Defined Contributory Pension Law, all tax-qualified retirement annuity plans were shifted to a defined contributory pension program in April 2005, which applied "Accounting Procedures for Shifting between Different Retirement Benefit Programs" (Corporate Accounting Standards Implementation Guidelines No. 1). The impact on application of this transition is insignificant.	In connection with the entire shift to a defined contributory pension program in April 2005, a transitional program was introduced to pay retirement-age employees (still active on the payroll at the time of the switchover) lump-sum severance allowances in the amount of a portion of all benefits attributable to past service, upon their retirement. This involved recognition of the relevant retirement benefit liability as of the end of March 2007 to prepare for the payment of retirement benefits to these employees. Actuarial differences are insignificant and recognized as expenses in the fiscal year when accrued.
(6) Accrued Retirement Benefits for Directors and Corporate Auditors	The amount payable at the end of this term is recorded pursuant to the provisions of internal bylaws, to fund the payment of retirement benefits to eligible directors and corporate auditors upon retirement.	————
(7) Debt Guarantee Loss Reserve	In order to prepare for losses incurred by debt guarantee, upon considering the financial status of the guarantors, the estimated amount is recorded to fund the loss.	————
6. Method of Accounting for Significant Lease Transactions	Finance leases other than those where ownership of the leased property is deemed transferred to the lessee are accounted for in the same manner as standard lease transactions.	Same as in left column
7. Amortization of goodwill and negative goodwill	————	Goodwill and negative goodwill are amortized over a period of five or ten years in equal amounts.
8. Other Basis of Presenting Consolidated Financial Statements Method of Accounting for Consumption Taxes and Others	Transactions subject to consumption tax are accounted for exclusive of consumption tax.	Same as in left column

(6) Changes in Method of Accounting

Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
(Accounting Standards for Impairment of Fixed Assets) Effective from the fiscal year under review, the Company adopts the standards for accounting for impaired fixed assets as provided for by "Opinion concerning Establishment of Accounting Standards for Impairment of Fixed Assets" (issued by the Business Accounting Council of Japan on August 9, 2002) and "Implementation Guidelines for Accounting Standards for Impairment of Fixed Assets" (Corporate Accounting Standards Implementation Guidelines No. 6 of October 31, 2003). The effect of this application was to reduce income before income taxes by 259 million yen. Accumulated impairment losses are deducted directly from the amount of the classified asset on which they are recognized, in compliance with Regulations concerning Consolidated Financial Statements as revised and current.	――――
――――	(Accounting Standards for Net Assets on Balance Sheets) (Partial Revision of Accounting Standards for Decreases in Treasury Stocks and Reserves and others) Effective from the fiscal year under review, the Company has applied "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (issued by the Accounting Standards Board of Japan on December 9, 2005, ASBJ Statement No. 5), "Implementation Guidelines on Accounting Standards for Presentation of Net Assets in the Balance Sheet" (issued by the Accounting Standards Board of Japan on December 9, 2005, ASBJ Guideline No. 8), the revised "Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (issued by the Accounting Standards Board of Japan on August 11, 2006, ASJB Statement No. 1), and "Implementation Guidance on Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (issued by the Accounting Standards Board of Japan on August 11, 2006, ASJB Statement No. 2). There was no impact on the Company's profit and loss due to these changes. The amount relevant to "total shareholders' equity" was valued at 62,374 million yen. Net assets on the consolidated balance sheet during the fiscal year under review were prepared in compliance with the revised and current Regulations Concerning Consolidated Financial Statements.
――――	(Accounting standards for business combinations) Effective from the fiscal year under review, the Company has applied "Accounting Standards for Business Combinations" (issued by the Business Accounting Council of Japan on October 31, 2003), "Accounting Standard for Business Divestitures" (issued by the Accounting Standards Board of Japan on December 27, 2005, ASBJ Statement No. 7), and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (issued by the Accounting Standards Board of Japan on December 27, 2005, ASBJ Statement No. 10).
――――	(Accounting standards for stock options) Effective from the fiscal year under review, the Company has applied "Accounting Standard for Share-based Payment" (issued by the Accounting Standards Board of Japan on December 27, 2005, ASBJ Statement No. 8) and "Implementation Guidance on Accounting Standard for Share-based Payment" (issued by the Accounting Standards Board of Japan revised on May 31, 2006, ASBJ Guidance No. 11). The effect of this application was to reduce operating income, ordinary income, and net income before taxes by 21 million yen each.

(7) Changes in Presentation Method

Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
————	(Balance Sheets) "Short-term loans receivable," which had been included in "other" in current assets until the preceding fiscal year, was presented separately because it exceeded 1/100th of the total assets in this fiscal year. "Short-term loans receivable" at the end of the preceding fiscal year was 226 million yen.
————	(Statements of Income) Description of the item "Information sales income" in non-operating income, which had been presented as "fee income" until the preceding consolidated fiscal year, was changed to clarify the details.

(8) Additional information

Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
————	(Abolishment of the system for accrued retirement benefits for directors) It was resolved at general meetings of shareholders held on June 29, 2006 to abolish the system for retirement benefits for directors and corporate auditors as at the end of the general meetings to terminate payment. In the payment of retirement benefits to directors and corporate auditors as at the end of this meeting, 1 million yen was presented as "others" in current liabilities, and 361 million yen as "others" in fixed liabilities.

(9) Notes to Non-consolidated Financial Statements
(Notes to Balance Sheets)

Fiscal 2006 (March 31, 2006)

(Note 1) Assets pledged as collateral:

Classified assets pledged (million yen)		Corresponding liabilities (million yen)	
Time deposits	295	Notes and accounts payable	18,477
Buildings	1,795		
Land	4,424		
Investment securities	1,514		
Buildings	521	Short-term loans payable and long-term debt (including current portion of long-term debt due within one year)	1,000
Land	1,201		
Investment securities	70		
Total	9,823	Total	19,477

(Note 2) Accumulated depreciation of property, plants and equipment is described as below.

Building	9,018 million yen
Structures	679 million yen
Vehicles and carriers	166 million yen
Equipment and fixtures	1,439 million yen
Total	11,304 million yen

(Note 3) Numbers of authorized shares and number of shares outstanding

No. of authorized shares	Common stock	192,000,000 shares
No. of shares outstanding	Common stock	53,157,206 shares

(Note 4) Treasury stocks

Number of treasury stocks held by the Company: 1,085,605 shares of common stock

(Note 5) Liabilities guaranteed

① Bank loans guaranteed

Wakaba	434 million yen
Alf	393 million yen
Ethos	210 million yen
Fisher Scientific Japan	173 million yen
Medical Corporation Koyukai	39 million yen
Total	1,250 million yen

② Accounts payable guaranteed

Godo Toho	71 million yen

(Note 6) In addition to those classified, assets and liabilities related to associated companies are described as below.

Trade receivables	91,568 million yen
Accrued amount payable	5,821 million yen

Fiscal 2007 (March 31, 2007)

(Note 1) Assets pledged as collateral:

Classified assets pledged (million yen)		Corresponding liabilities (million yen)	
Time deposits	295	Notes and accounts payable	22,622
Buildings	1,826		
Land	4,603		
Investment securities	1,751		
Buildings	527	Short-term loans payable and long-term debt (including current portion of long-term debt due within one year)	–
Land	1,201		
Investment securities	–		
Total	10,206	Total	22,622

(Note 2) Accumulated depreciation of property, plants and equipment is described as below.

Building	9,626 million yen
Structures	744 million yen
Vehicles and carriers	15 million yen
Equipment and fixtures	1,741 million yen
Total	12,127 million yen

(Note 3) ————

(Note 4) ————

(Note 5) Liabilities guaranteed

① Bank loans guaranteed

Ethos	2,170 million yen
Tokyo Research Center of Clinical Pharmacology	440 million yen
Wakaba	387 million yen
Alf and one other	125 million yen
Total	3,122 million yen

② Accounts payable guaranteed

Godo Toho	10 million yen

(Note 6) In addition to those classified, assets and liabilities related to associated companies are described as below.

Trade receivables	93,801 million yen
Short-term loans receivable	5,350 million yen
Accrued amount payable	6,093 million yen
Deposits payable	10,590 million yen

Fiscal 2006 (March 31, 2006)	Fiscal 2007 (March 31, 2007)
(Note 7) Pursuant to the "Law concerning Land Revaluation" (Law No. 34, promulgated on March 31, 1998) and the "Law for Partial Revision of Law concerning Law Revaluation" (Law No. 19, promulgated on March 31, 2001), the land used for business purposes was revalued and accordingly recorded in shareholders' equity under "unrealized gains on revaluation of land," the amount of revaluation difference in value, and net "deferred tax assets due to revaluation." Method of revaluation: Based on the land tax assessment register specified in Article 2-3 of the Ordinance for Enforcement of Law concerning Land Revaluation (Government Ordinance No. 119, promulgated on March 31, 1998). Date of revaluation: March 31, 2002 Difference in value of land revalued between market and revalued book value at the end of the fiscal year: 1,941 million yen	(Note 7) Pursuant to the "Law concerning Land Revaluation" (Law No. 34, promulgated on March 31, 1998) and the "Law for Partial Revision of Law concerning Law Revaluation" (Law No. 19, promulgated on March 31, 2001), the land used for business purposes was revalued and accordingly recorded in shareholders' equity under "unrealized gains on revaluation of land," the amount of revaluation difference in value, and net "deferred tax assets due to revaluation." Method of revaluation: Based on the land tax assessment register specified in Article 2-3 of the Ordinance for Enforcement of Law concerning Land Revaluation (Government Ordinance No. 119, promulgated on March 31, 1998). Date of revaluation: March 31, 2002 Difference in value of land revalued between market and revalued book value at the end of the fiscal year: 2,096 million yen
(Note 8) Dividend restriction Available fair market value was applied to assets specified in Article 124-3 of Enforcement Rule of the Commercial Code. The effect of this application was to increase net assets by 2,591 million yen.	(Note 8) ————
(Note 9) The Company has lending commitment agreements with 10 trading banks to facilitate efficient procurement of working funds. Lending commitments 12,000 million yen Balance borrowed — million yen Total remainder 12,000 million yen	(Note 9) The Company has lending commitment agreements with 11 trading banks to facilitate efficient procurement of working funds. Lending commitments 12,000 million yen Balance borrowed — million yen Total remainder 12,000 million yen
(Note 10) ————	(Note 10) As for accounting methods for notes due at the end of the term, the final day of the fiscal year under review fell on a bank holiday, but notes due on this day were processed as settled on the due date. The values of notes due at the end of the fiscal year under review are given below. Notes receivable 456 million yen Notes payable 210 million yen
(Note 11) Components of increase in the number of shares outstanding during the fiscal year under review Allocation of new shares to a third party Issue date November 28, 2005 No. of shares newly issued 4,922,000 shares Issue price 1,380 yen per share Capital incorporation 3,396 million yen	(Note 11) ————

(Statements of Income)

Fiscal 2006 (From April 1, 2005 to March 31, 2006)

(Note 1) Transactions related with associated companies are described below.

Net sales to associated companies	278,936 million yen
Non-operating income from associated companies	417 million yen
Total	

(Note 2) "Goods transfer to/from other account" is recorded in promotion expenses, equipment and fixtures, and others.

(Note 3) Gains on sale of fixed assets comprise:

Gain on sale of equipment and fixtures	1 million yen
Gain on sale of land	16 million yen
Total	18 million yen

(Note 4) Losses on disposal of fixed assets comprise:

Loss on retirement of buildings	201 million yen
Loss on retirement of vehicles and carriers	4 million yen
Loss on sale of buildings	4 million yen
Loss on sale of land	93 million yen
Total	303 million yen

(Note 5) Impairment losses

The Toho Pharmaceutical Group recognized impairment losses on the following asset groups during the fiscal year under review.

Location	Purpose	Class
Asahi Branch and 4 other sites	Real estate for business use	Land and buildings
Former Morioka Branch and 9 other sites	Real estate unused	

The Toho Pharmaceutical Group identifies asset groups as being individual branches classified as real estate used for business purposes, and as being individual assets not used for business purposes classified as real estate unused.

The Group recognized impairment losses of 33 million yen on the real estate for business use that suffered consecutive losses in value. It comprised 33 million yen on buildings. The Group measures recoverable amounts on the basis of net sales prices, which in this case proved insignificant and were substituted by tax assessments of fixed assets in estimating the recoverable amounts.

The Group recognized impairment losses of 232 million yen on real estate not used for business purposes that suffered consecutive losses in land value. It comprised 166 million yen on land and 65 million yen on buildings. The Group measures recoverable amounts on the basis of net sales prices. The recoverable amounts in question were based on assessments supplied by real estate appraisers, but some assets whose assessments proved insignificant were assessed in reference to tax assessments of fixed assets.

Fiscal 2007 (From April 1, 2006 to March 31, 2007)

(Note 1) Transactions related with associated companies are described below.

Net sales to associated companies	313,912 million yen
Non-operating income from associated companies	517 million yen
Total	
Interest expenses to associated companies	29 million yen

(Note 2) Same as in left column

(Note 3) Gains on sale of fixed assets comprise:

Gain on sale of buildings	0 million yen
Gain on sale of land	16 million yen
Total	17 million yen

(Note 4) Losses on disposal of fixed assets comprise:

Loss on retirement of buildings	374 million yen
Loss on retirement of vehicles and carriers	1 million yen
Loss on retirement of equipment and fixtures	22 million yen
Loss on sale of buildings	27 million yen
Loss on sale of land	97 million yen
Total	525 million yen

(Note 5) Impairment losses

The Toho Pharmaceutical Group recognized impairment losses on the following asset groups during the fiscal year under review.

Location	Purpose	Class
Former Shimodate Branch and 5 other sites	Real estate unused	Land

The Toho Pharmaceutical Group identifies asset groups as being individual branches classified as real estate used for business purposes, and as being individual assets not used for business purposes classified as real estate unused.

The Group recognized impairment losses of 12 million yen on real estate not used for business purposes that suffered consecutive losses in land value. It comprised 12 million yen on land. The Group measures recoverable amounts on the basis of net sales prices. The recoverable amounts in question were based on assessments supplied by real estate appraisers, but some assets whose assessments proved insignificant were assessed in reference to tax assessments of fixed assets.

(Statement of Changes in Shareholders' Equity)

Fiscal 2007 (From April 1, 2006 to March 31, 2007)

Notes to Treasury Stocks

Types of stocks	No. of stocks as of end of fiscal 2006 (in thousand stocks)	No. of stocks increased during fiscal 2007 (in thousand stocks)	No. of stocks decreased during fiscal 2007 (in thousand stocks)	No. of stocks as of the end of fiscal 2007 (in thousand stocks)
Common stock (Note)	1,085	1,156	—	2,241

(Note) The increase of 1,156,000 treasury stocks of common stocks reflects an increase of 6,000 stocks due to the reacquisition of odd stocks, 41,000 stocks acquired from consolidated subsidiaries, and 1,109,000 stocks from reacquisition pursuant to board meeting resolutions.

(Notes to Leases Transactions)

Fiscal 2006 (From April 1, 2005 to March 31, 2006)

Lease transactions other than those where ownership of the leased property is deemed transferred to the lessee.

(1) Leased property's presumed acquisition cost, presumed accumulated depreciation, presumed accumulated impairment loss, and presumed balance at the end of the fiscal year:

	Presumed acquisition cost (million yen)	Presumed accumulated depreciation (million yen)	Presumed balance at year-end (million yen)
Equipment and fixtures	3,318	1,563	1,754

(2) Presumed year-end balance of unaccrued lease payments and others:

Presumed year-end balance of unaccrued lease payments

Within one year	644 million yen
One year or more	1,137 million yen
Total	1,781 million yen

(3) Lease payments, transfer of impairment losses on lease assets, presumed depreciation, presumed interest expense, and impairment loss:

Lease payment	718 million yen
Presumed depreciation	687 million yen
Presumed interest expense	31 million yen

(4) Method of calculating presumed depreciation

Calculated on a straight-line basis by assuming the lease period to be the useful life and the residual value diminishing to zero.

(5) Method of calculating presumed interest expense

Calculated assuming the difference between total lease payment and leased property's presumed acquisition cost to be the presumed interest allocated to each of the years by the interest method.

(Impairment loss)

No impairment loss attributable to lease assets was recognized.

Fiscal 2007 (From April 1, 2006 to March 31, 2007)

Lease transactions other than those where ownership of the leased property is deemed transferred to the lessee.

(1) Leased property's presumed acquisition cost, presumed accumulated depreciation, presumed accumulated impairment loss, and presumed balance at the end of the fiscal year:

	Presumed acquisition cost (million yen)	Presumed accumulated depreciation (million yen)	Presumed balance at year-end (million yen)
Equipment and fixtures	5,870	2,503	3,367
Vehicles and carriers	5	4	1
Intangible fixed assets (software)	55	8	47
Total	5,931	2,515	3,415

(2) Presumed year-end balance of unaccrued lease payments and others:

Presumed year-end balance of unaccrued lease payments

Within one year	867 million yen
One year or more	2,587 million yen
Total	3,455 million yen

(3) Lease payments, transfer of impairment losses on lease assets, presumed depreciation, presumed interest expense, and impairment loss:

Lease payment	913 million yen
Presumed depreciation	867 million yen
Presumed interest expense	57 million yen

(4) Method of calculating presumed depreciation

Same as in left column

(5) Method of calculating presumed interest expense

Same as in left column

(Impairment loss)

Same as in left column

(Notes to Marketable Securities)

Fiscal 2006 (March 31, 2006)

No stocks of subsidiaries and associated companies with available fair market value.

Fiscal 2007 (March 31, 2007)

No stocks of subsidiaries and associated companies with available fair market value.

(Notes to Tax Effect Accounting)

Fiscal 2006 (March 31, 2006)		Fiscal 2007 (March 31, 2007)	
(1) Major components of deferred tax assets and deferred tax liabilities accrued		(1) Major components of deferred tax assets and deferred tax liabilities accrued	
	(million yen)		(million yen)
Deferred tax assets (current assets)		Deferred tax assets (current assets)	
Allowance for doubtful receivables	12	Business office tax payable	22
Business office tax payable	19	Enterprise tax payable	107
Enterprise tax payable	130	Accrued bonuses	450
Accrued bonuses	410	Other	89
Other	80	Subtotal	669
Subtotal	653	Deferred tax assets (fixed assets)	
Deferred tax assets (fixed assets)		Allowance for doubtful receivables	169
Allowance for doubtful receivables	158	Investment securities	223
Investment securities	564	Stocks in associated companies	126
Stocks in associated companies	218	Other long-term liabilities	147
Accrued retirement benefits for employees	411	Accrued retirement benefits for employees	401
Accrued retirement benefits for directors and corporate auditors	125	Impairment loss	40
Impairment loss	66	Other	45
Other	49	Total	1,154
Total	1,594	Valuation reserve	△566
Valuation reserve	△856	Subtotal	587
Subtotal	737	Total deferred tax assets	1,257
Total deferred tax assets	1,391	Deferred tax liabilities (long-term liabilities)	
Deferred tax liabilities (long-term liabilities)		Deferred capital gains on land	△709
Deferred capital gains on land	△709	Revaluation difference on available-for-sale securities	△2,211
Revaluation difference on available-for-sale securities	△1,764	Total deferred tax liabilities	△2,920
Total deferred tax liabilities	△2,473	Net deferred tax liabilities	△1,662
Net deferred tax liabilities	△1,082		
(2) Major components of the difference between statutory effective tax rate and income tax and other burden rate after application of tax effect accounting		(2) Major components of the difference between statutory effective tax rate and income tax and other burden rate after application of tax effect accounting	
	(unit: %)		(unit: %)
Statutory effective tax rate	40.5	Statutory effective tax rate	40.5
(Adjustments)		(Adjustments)	
Entertainment expense and other items not permanently included in expenses	2.7	Entertainment expense and other items not permanently included in expenses	1.8
Dividend income and other items not permanently included in income	△2.0	Dividend income and other items not permanently included in income	△1.8
Increase in valuation reserve	12.5	Variance from disposal of tying stocks	3.9
Per-capita resident tax	1.8	Deducted loss brought forward from merged company	△9.5
Special income tax deduction	△5.7	Per-capita resident tax	1.3
Other	△0.8	Other	0.2
Tax and other burden rate after application of tax effect accounting	49.0	Tax and other burden rate after application of tax effect accounting	36.4

(Notes to Business Combinations)

Fiscal 2007 (from April 1, 2006 to March 31, 2007)

As stipulated in 4. Consolidated Financial Statements: Notes (“Corporate Acquisitions by Stock Swapping” and “Transactions under Common Control due to Merger” in “Notes to Business Combinations”).

(Information per Share)

Fiscal 2006 (From April 1, 2005 to March 31, 2006)		Fiscal 2007 (From April 1, 2006 to March 31, 2007)	
Net asset per share	989.79 yen	Net asset per share	1,094.72 yen
Net income per share	43.86 yen	Net income per share	68.51 yen
Net income per share - Diluted	39.47 yen	Net income per share - Diluted	62.68 yen

(Note) Basis for calculation

1. Net asset per share

	Fiscal 2006 (March 31, 2006)	Fiscal 2007 (March 31, 2007)
Total net assets on balance sheet (million yen)	—	62,396
Net assets related to common stock (million yen)	—	62,374
Major components of difference (million yen) Equity warrants	—	21
Number of shares of outstanding common stock (in thousand stocks)	—	59,219
Number of treasury shares of common stock (in thousand stocks)	—	2,241
Number of shares of common stock used in calculating net asset per share (in thousand stocks)	—	56,978

2. Net Income per Share and Net Income per Share after Adjustments on Potential Shares

	Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
Net income per share		
Net income (million yen)	2,207	3,932
Amount not related to shareholders of common stock (million yen)	36	—
(including directors' bonuses due to appreciation of earnings)	(36)	(—)
Net income from common stock (million yen)	2,171	3,932
Average number of shares outstanding during fiscal year (in thousand stocks)	49,501	57,399
Net income per share after adjustments on potential shares		
Adjustment for net income (million yen)	—	—
Increase in number of shares of common stock (in thousand stocks)	5,509	5,344
(including convertible bonds with subscription rights to shares)	(5,509)	(5,344)
Outline of potential shares not included in calculation of current net income per share after adjustments on potential shares due to no dilution effect	—	—

(Significant Subsequent Events)

Fiscal 2006 (From April 1, 2005 to March 31, 2006)	Fiscal 2007 (From April 1, 2006 to March 31, 2007)
The Company and Tsuruhara Yoshii swapped their own stocks with each other on April 1, 2006, subject to the terms specified in their agreement for that purpose. The agreement had previously been approved by the Company's extraordinary general meeting of shareholders on February 16, 2006, and by Tsuruhara Yoshii's extraordinary general meeting of shareholders on January 20, 2006. As for the outline of the stock swapping and Tsuruhara Yoshii's primary line of business and size, refer to "4. Consolidated Financial Statements (Significant Subsequent Events)."	―――
―――	Based on the resolution at the Company's board meeting held on August 17, 2006, its two wholly owned subsidiaries, Tsuruhara Yoshii and Yakushin, merged on April 1, 2007 and changed the corporate name to Kyushu Toho. As for the outline of the business combination, refer to "4. Consolidated Financial Statements (Significant Subsequent Events)." Since both companies are wholly owned subsidiaries of Toho Pharmaceutical, there was no impact on the Company's profit and loss.

6. Others

State of Purchasing and Selling

(1) Historical purchases

Business segment	Fiscal 2006 (From April 1, 2005 to March 31, 2006)		Fiscal 2007 (From April 1, 2006 to March 31, 2007)	
	Amount (million yen)	Share (%)	Amount (million yen)	Share (%)
Pharmaceutical	655,938	100.0	709,332	100.0
Information Processing	54	0.0	46	0.0
Total	655,992	100.0	709,378	100.0

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

(2) Sales performance

Business segment	Fiscal 2006 (From April 1, 2005 to March 31, 2006)		Fiscal 2007 (From April 1, 2006 to March 31, 2007)	
	Amount (million yen)	Share (%)	Amount (million yen)	Share (%)
Pharmaceutical	705,283	99.8	772,385	99.9
Information Processing	116	0.0	89	0.0
CRO and SMO	1,088	0.2	960	0.1
Total	706,488	100.0	773,436	100.0

(Note) 1. Inter-segment transactions are stated in net terms for elimination

2. During fiscal 2006 and fiscal 2007, since no trading relationship accounted for 10/100th or higher of the Groups total sales results, the disclosure of “Historical Sales by Major Trading Relationships” was not applicable.