



## Summary of Consolidated Financial Results for the Third Quarter of Fiscal 2007

Jan 24, 2007

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

Listed: Tokyo Stock Exchange

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

Contact Corporate Representative / Title Norio Hamada / President and CEO  
 Contact Representative / Title Mamoru Ogino / Corporate Officer and  
 General Manager of Finance and Accounting

Tel : (03)4330-3735

### 1. Basis for Preparation of Quarterly Financial Information

- ① Simplified methods of accounting: Adopted
- (1) Accounting for inventories Inventory amounts are stated on an as-booked basis
  - (2) Accounting for income taxes Based on pro forma annual effective tax rate
  - (3) Certain other items are accounted for using simplified procedures, provided they are insignificant in relative value
- ② Accounting principles compared with most recently completed fiscal year: Unchanged
- ③ Scope of consolidation and application of equity method: Changed
- Consolidation: 2 companies newly added; 1 company excluded - Equity method: None newly added; 1 company excluded

### 2. Consolidated Results of Operations during the Third Quarter of Fiscal 2007 (from April 1, 2006 to December 31, 2006)

#### (1) Consolidated Results of Operations

(Amounts are truncated to the nearest million yen)

	Net Sales		Operating Income		Ordinary Income		Net Income for Third Quarter	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
Third Quarter of Fiscal 2007	589,895	(9.6)	7,817	(65.3)	10,579	(56.1)	6,030	(97.6)
Third Quarter of Fiscal 2006	537,987	(21.3)	4,730	(73.5)	6,779	(50.5)	3,052	(20.5)
(Reference) Fiscal 2006	706,488		6,104		8,889		3,612	

	Net Income per Share	Net Income per Share - Diluted
	Yen	Yen
Third Quarter of Fiscal 2007	104.88	95.94
Third Quarter of Fiscal 2006	62.76	56.37
(Reference) Fiscal 2006	72.26	65.02

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

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

Japan's economy continued in its trend of steady expansion. Despite the reduction in April of an average of 6.7% in NHI drug prices, in fiscal 2007 the market for ethical pharmaceuticals also grew 2.5% through the first half, 1.7% during the third quarter, and 2.2% through the third quarter.

The Company's operating results showed above-market growth, with sales revenues increasing 9.6% on a year-on-year basis, reflecting the consolidation of the accounts of Tsuruhara Yoshii effective April 2006, as well as stepped-up proposal-driven marketing based on customer support systems.

The Company's earnings benefited from its emphasis placed on profitability in negotiating prices and from the progress it has achieved in streamlining and adding higher value to operations, resulting in a year-on-year increase of 65.3% in operating income.

As a result of these, during the first three fiscal quarters under review, the Company's consolidated net sales amounted to 589,895 million yen (a year-on-year increase of 9.6%), ordinary income amounted to 10,579 million yen (a year-on-year increase of 56.1%), and net income amounted to 6,030 million yen (a year-on-year increase of 97.6%).

In reinforcing the consolidated Group, the Company absorbed and merged Tokai Toho on October 1, 2006, and furthermore, Tsuruhara Yoshii (headquartered in Kumamoto) and Yakushin (headquartered in Fukuoka) are scheduled to merge on April 1, 2007 to become Kyushu Toho.

## (2) Consolidated Financial Position

(Amounts are truncated to the nearest million yen)

	Total Assets	Net assets	Shareholders' Equity Ratio	Net assets per Share
	Million Yen	Million Yen	%	Million Yen
Third Quarter of Fiscal 2007	418,194	76,453	16.8	1,232.75
Third Quarter of Fiscal 2006	390,542	59,104	15.1	1,135.29
(Reference) Fiscal 2006	358,416	56,916	15.9	1,092.58

### [Consolidated Cash Position]

(Amounts are truncated to the nearest million yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
	Million Yen	Million Yen	Million Yen	Million Yen
Third Quarter of Fiscal 2007	16,700	−4,334	−8,552	38,831
Third Quarter of Fiscal 2006	7,980	4,168	3,847	39,399
(Reference) Fiscal 2006	4,613	3,593	2,514	34,124

### [Qualitative Information on Changes in Consolidated Financial Position]

#### • Changes in Consolidated Financial Position

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

Total assets were up by 59,777 million yen, compared with the end of the preceding year, to 418,194 million yen.

Regarding assets, current assets were up by 45,824 million yen. The major factors included an increase of 28,533 million yen in notes and accounts receivable and an increase of 10,848 million yen in inventories. Fixed assets were up by 13,953 million yen.

Regarding liabilities, current liabilities were up by 44,951 million yen. Among the major factors were an increase of 48,918 million yen in notes and accounts payable and short-term debt repayments of 4,706 million yen. Long-term liabilities were up by 1,093 million yen.

Net assets were up by 19,536 million yen. This reflected an increase of 9,323 million yen in capital surplus and an increase of 5,036 million yen in retained earnings as well as an additional 6,214 million yen as a result of the reclassification into net assets of minority interests in consolidated subsidiaries.

#### • Consolidated Cash Flows during Third Fiscal Quarter

Consolidated cash and cash equivalents (hereinafter referred to as "cash") during the first three quarters under review were up by 4,706 million yen compared with the end of the preceding fiscal year. Accordingly, the consolidated cash balance at the end of the third quarter came to 38,831 million yen (down by 567 million yen compared with a year earlier).

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

##### (Cash Flows from Operating Activities)

Operating activities generated a net increase in cash of 16,700 million yen (or 8,719 million yen more in net cash than in the same period of the preceding year).

This primarily reflected income before income taxes of 10,427 million yen and an increase in trade payables of 35,867 million yen. Meanwhile, trade receivables increased by 17,807 million yen, inventories increased by 8,162 million yen, and a payment of income taxes amounted to 3,594 million yen.

##### (Cash Flows from Investing Activities)

Investing activities generated a net decrease in cash of 4,334 million yen (or 8,502 million yen less in net cash than in the same period of the preceding year).

This primarily reflected a payment of 1,417 million yen for the acquisition of tangible fixed assets, a payment of 1,973 million yen for the acquisition of stocks in subsidiaries, and a payment of 1,066 million yen for the extension of loans.

##### (Cash Flows from Financing Activities)

Financing activities generated a net decrease in cash of 8,552 million yen (or 12,399 million yen less in net cash than in the same period of the preceding year).

This primarily reflected debt repayments of 5,098 million yen, a payment of 2,167 million yen for acquisition of own stock, and a cash dividend payment of 862 million yen.

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

	Net Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
Full Year	770,000	12,200	6,400

(Reference) Projected net income per share during full year: 112.35 yen

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

[Qualitative Information on Projected Results of Operations]

The Company's projected results of operations during the current fiscal year remain the same as announced on November 9, 2006.

[Attached material]

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

(Millions of yen, %)

Account	First Quarter Of Fiscal 2007	First Quarter Of Fiscal 2006	Increase (Decrease)		(Reference) Fiscal 2006
	Amount	Amount	Amount	%	Amount
(Assets)					
I Current assets					
1. Cash on hand and on deposit	37,815	38,892			33,511
2. Notes and accounts receivable	213,734	206,254			185,200
3. Marketable securities	1,996	2,495			2,495
4. Inventories	55,354	48,723			44,505
5. Deferred tax assets	1,630	1,091			1,196
6. Purchase rebates receivable	11,223	12,729			10,938
7. Others	10,059	6,681			8,013
Allowance for doubtful receivables	—422	—473			—295
Total current assets	331,391	316,394	14,997	4.7	285,566
II Fixed assets					
1. Property, plant and equipment					
(1) Buildings and structures	14,486	13,219			12,965
(2) Land	29,231	25,622			25,003
(3) Others	1,613	1,555			1,800
Total property, plant and equipment	45,331	40,397			39,769
2. Intangible fixed assets					
(1) Goodwill	4,493	—			—
(2) Others	2,528	2,818			3,245
Total Intangible fixed assets	7,022	2,818			3,245
3. Investments and other assets					
(1) Investments in securities	29,548	25,749			26,223
(2) Deferred income taxes	70	170			69
(3) Deferred tax assets due to revaluation	—	1,406			—
(4) Others	5,665	4,395			4,397
Allowance for doubtful receivables	—836	—789			—855
Total investments and other assets	34,448	30,931			29,835
Total fixed assets	86,803	74,147	12,656	17.1	72,850
Total assets	418,194	390,542	27,652	7.1	358,416

(Millions of yen, %)

Account	First Quarter of Fiscal 2007	First Quarter of Fiscal 2006	Increase (Decrease)		(Reference) Fiscal 2006
	Amount	Amount	Amount	%	Amount
(Liabilities)					
I Current liabilities					
1. Notes and accounts payable	293,740	276,298			244,821
2. Short-term loans payable	5,782	11,219			10,489
3. Income taxes payable	2,823	1,600			2,000
4. Accrued expenses	1,333	1,236			1,397
5. Accrued bonuses	1,209	1,076			2,094
6. Directors' bonuses	48	—			—
7. Reserve for sales returns	340	304			291
8. Others	4,028	3,483			3,258
Total current liabilities	309,305	295,219	14,086	4.8	264,354
II Long-term liabilities					
1. Bonds payable	9,600	10,000			10,000
2. Long-term debt	600	1,363			763
3. Deferred tax liabilities	9,585	7,096			7,564
4. Accrued retirement benefits for employees	3,011	4,080			3,603
5. Accrued retirement benefits for directors and corporate auditors	231	920			904
6. Liabilities resulted from the investments in affairs	—	17			11
7. Consolidation adjustments	—	4,377			4,133
8. Negative goodwill	4,037	—			—
9. Deferred tax liabilities due to revaluation	1,417	105			1,417
10. Others	3,951	2,466			2,942
Total long-term liabilities	32,435	30,427	2,008	6.6	31,341
Total liabilities	341,741	325,646	16,095	4.9	295,695
(Net assets)					
I Shareholder's equity					
1. Common stock	10,599	—			—
2. Capital surplus	23,606	—			—
3. Retained earnings	40,221	—			—
4. Treasury stock	—3,480	—			—
Total shareholder's capital	70,947	—	—	—	—
II Evaluation, conversion balance					
1. Unrealized gains on available-for-sale securities	4,086	—			—
2. Unrealized gains on revaluation of land	—4,808	—			—
Total valuation and translation differences	—722	—	—	—	—
III Equity warrants	13	—	—	—	—
IV Minority interests	6,214	—	—	—	—
Total net assets	76,453	—	—	—	—
Total liabilities, and net assets	418,194	—	—	—	—
(Minority interests)					
Minority interests	—	5,791	—	—	5,804
(Shareholders' equity)					
I Common stock	—	10,399	—	—	10,399
II Capital surplus	—	14,282	—	—	14,282
III Retained earnings	—	34,566	—	—	35,184
IV Unrealized gains on revaluation of land	—	—2,077	—	—	—4,889
V Unrealized gains on available-for-sale securities	—	3,199	—	—	3,207
VI Treasury stock	—	—1,267	—	—	—1,268
Total shareholders' equity	—	59,104	—	—	56,916
Total liabilities, minority interest and shareholders' equity	—	390,542	—	—	358,416

## 2. (Summary) Consolidated Statements of Income of Third Quarter

(Millions of yen, %)

Account	First Quarter of	First Quarter of	Increase		(Reference)
	Fiscal 2007	Fiscal 2006	(Decrease)		Fiscal 2006
	Amount	Amount	Amount	%	Amount
I Net sales	589,895	537,987	51,908	9.6	706,488
II Cost of sales	541,786	499,288	42,498	8.5	654,568
Gross income	48,109	8,699	9,410	24.3	51,920
Reversal of reserve for sales returns	27	—38			51
Gross income after reserve for sales returns	48,082	38,737	9,345	24.1	51,971
III Selling, general and administrative expenses	40,264	34,007	6,257	18.4	45,867
Operating income	7,817	4,730	3,087	65.3	6,104
IV Non-operating income					
1. Interest income	63	39			59
2. Dividend income	263	177			191
3. Fee income	1,224	1,077			1,440
4. Amortization of consolidation adjustments	—	596			840
5. Amortization of negative goodwill	995	—			—
6. Equity in earnings of investments	56	48			87
7. Miscellaneous income	627	585			779
Total non-operating income	3,231	2,524	707	28.0	3,400
V Non-operating expenses					
1. Interest expenses	72	127			165
2. Loss before deduction of temporary consumption tax payment	325	231			311
3. Miscellaneous losses	70	116			138
Total non-operating expenses	469	475	—6	—1.3	615
Ordinary income	10,579	6,779	3,800	56.1	8,889
VI Extraordinary gains					
1. Gains on sales of fixed assets	35	168			175
2. Gains on sales of investment securities	57	7			25
3. Gains on sales of stocks of affiliate companies	181	—			—
4. Gain due to switchover to defined contribution pension program	—	33			33
5. Gain on cancellation of insurance reserve fund	—	—			28
6. Others	21	9			16
Total extraordinary gains	295	220	75	34.1	279
VII Extraordinary losses					
1. Loss on disposal of fixed assets	325	62			479
2. Loss on sale of investment securities	0	0			0
3. Loss on sale of golf club memberships	3	2			2
4. Director's retirement benefits	—	34			34
5. Lump-sum grants to voluntary early retirements	—	430			585
6. Loss due to switchover to defined contribution pension program	96	130			221
7. Loss due to change in equity	—	11			11
8. Impairment loss	11	607			611
9. Others	10	14			158
Total extraordinary losses	447	1,293	—846	—65.4	2,106
Income before income taxes	10,427	5,706	4,721	82.7	7,061
Adjustments for income taxes	4,030	2,430	1,600	65.8	3,228
Minority interests	366	223	143	63.8	220
Net income	6,030	3,052	2,978	97.6	3,612

3. (Summary) Quarterly Consolidated Statement of Changes in Shareholders' Equity  
 Connected accounting period of the first quarter (from April 1, 2006 to December 31, 2006)

	Shareholder's Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholder's Equity
Balance (March 31, 2006)	10,399	14,282	35,184	-1,268	58,598
Changes during third quarter					
New shares issued by stock sapping		9,124		-40	9,083
Increase due to exercised warrant bonds	200	199			400
Surplus distributed to shareholders			-862		-862
Bonuses to directors and corporate auditors			-51		-51
Net income			6,030		6,030
Own company stock reacquired				-2,167	-2,167
Decrease due to increase in consolidated subsidiaries			-0	-3	-3
Transfer from land revaluation excess			-80		-80
Change (net increase or decrease) in non-shareholders' equity items during third quarter					
Total changes during third quarter	200	9,323	5,036	-2,211	12,349
Balance (December 31, 2006)	10,599	23,606	40,221	-3,480	70,947

	Valuation and translation differences			Equity warrants	Minority interests	Total net assets
	Unrealized gains on available-for-sale securities	Unrealized gains on revaluation of land	Total valuation and translation differences			
Balance (March 31, 2006)	3,207	-4,889	-1,682	-	5,804	62,720
Changes during third quarter						
New shares issued by stock sapping						9,083
Increase due to exercised warrant bonds						400
Surplus distributed to shareholders						-862
Bonuses to directors and corporate auditors						-51
Net income						6,030
Own company stock reacquired						-2,167
Decrease due to increase in consolidated subsidiaries						-3
Transfer from land revaluation excess						-80
Change (net increase or decrease) in non-shareholders' equity items during third quarter	879	80	959	13	410	1,383
Total changes during third quarter	879	80	959	13	410	13,732
Balance (December 31, 2006)	4,086	-4,808	-722	13	6,214	76,453

#### 4. (Summary) Consolidated Statements of Cash Flows

(Millions of yen)

	Third Quarter 2007	Third Quarter 2006	(Reference)
	From April 1, 2006 To December 31, 2006	From April 1, 2005 To December 31, 2005	Fiscal 2006
	Amount	Amount	Amount
<b>I Cash flows from operating activities</b>			
Income before income taxes	10,427	5,706	7,061
Depreciation	1,474	1,359	1,904
Loss on impairment	11	607	611
Amortization of goodwill	749	—	—
Amortization of negative goodwill	—995	—	—
Amortization of consolidation adjustments	—	—596	—840
Equity in earnings of investments	—56	—48	—87
Decrease in accrued employees' retirement benefits	—592	—1,153	—1,629
Decrease in accrued directors' retirement benefits	—830	—308	—323
Increase (decrease) in reserve for sales returns	27	—38	—51
Decrease in accrued bonuses	—1,105	—1,055	—37
Increase in accrued director's bonuses	48	—	—
Decrease in allowance for doubtful receivables	—62	—115	—227
Increase in trade receivables	—17,807	—25,818	—4,778
Increase in inventories	—8,162	—5,726	—1,508
Decrease (increase) in purchase rebates receivable	695	—1,083	708
Increase in other assets	—1,046	—701	—2,032
Increase in trade payables	35,867	36,723	5,246
Increase in other liabilities	2,139	983	726
Increase (decrease) in accrued consumption taxes	—647	39	136
Payment of directors' bonuses	—61	—45	—45
Others	—1,628	—916	—555
Subtotal	18,444	7,812	4,277
Payment of income taxes	—3,594	—1,152	—1,131
Others	1,850	1,321	1,467
Net cash provided by operating activities	16,700	7,980	4,613
<b>II Cash flows from investing activities</b>			
Payment for addition to time deposits	—1,011	—348	—371
Proceeds from refunds of time deposits	1,153	5,300	5,430
Payment for acquisition of tangible fixed assets	—1,417	—806	—907
Proceeds from sale of tangible fixed assets	128	1,163	1,476
Payment for acquisition of software	—95	—129	—529
Payment for acquisition of investment securities	—167	—1,363	—1,895
Proceed from sale of investment securities	84	30	70
Payment for acquisition of stocks in subsidiaries accompanied by changes in consolidation	—1,841	—1,130	—1,130
Payment for acquisition of stocks in subsidiaries	—131	—52	—81
Payment for acquisition of stocks in affiliates	—	—9	—
Proceeds for acquisition of stocks in affiliates	177	—	—
Payment for acquisition of other investments	—467	—746	—779
Proceeds from sale of other investments	350	2,433	2,479
Payment for extension of loans	—1,066	—247	—294
Proceeds from collection of loans	204	96	84
Others	—235	—21	43
Net cash provided by (used in) investing activities	—4,334	4,168	3,593
<b>III Cash flows from financing activities</b>			
Net decrease in short-term loans payable	—4,300	—981	—1,693
Proceeds from long-term debt	—	150	250
Payment for repayment of long-term debt	—797	—871	—1,588
Proceeds from share issue	—	6,792	6,792
Proceeds from minority shareholders' payment	—	143	143
Payment for acquisition of own stock	—2,167	—910	—912
Payment for satisfaction of finance lease liabilities	—409	—	—
Payment of cash dividends	—862	—464	—465
Payment of cash dividends to minority shareholders	—14	—11	—11
Net cash provided by financing activities	—8,552	3,847	2,514
<b>IV Increase in cash and cash equivalents</b>	3,813	15,996	10,721
<b>V Cash and cash equivalents at beginning of year</b>	34,124	22,880	22,880
<b>VI Increase in cash and cash equivalents due to business mergers</b>	13	—	—
<b>VII Increase in cash and cash equivalents due to stock swapping</b>	879	522	522
<b>VIII Cash and cash equivalents at end of third quarter</b>	38,831	39,399	34,124



## 5. Segmental Information

[Segmental Information according to Types of Business]

Third Quarter (from April 1, 2006 to December 31, 2006)

(Millions of yen)

	Pharmaceutical	Information Processing	CRO and SMO	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to external customers	589,156	51	688	589,895	—	589,895
(2) Inter-segment internal net sales or transfers	66	670	—	736	(736)	—
Total	589,222	721	688	590,632	(736)	589,895
Operating expense	580,729	685	806	582,221	(143)	582,078
Operating income	8,492	35	—117	8,411	(593)	7,817

Third Quarter (from April 1, 2005 to December 31, 2005)

(Millions of yen)

	Pharmaceutical	Information Processing	CRO and SMO	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to external customers	537,010	91	885	537,987	—	537,987
(2) Inter-segment internal net sales or transfers	90	621	—	711	(711)	—
Total	537,101	712	885	538,699	(711)	537,987
Operating expense	532,013	688	748	533,451	(193)	533,257
Operating income	5,087	24	136	5,248	(517)	4,730

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

(Millions of yen)

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

[Segmental Information according to Geographical Locations]

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

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

Previous third fiscal quarter (Third quarter of fiscal year 2006)

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

(Reference) Previous fiscal year (Fiscal year 2006)

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

[Overseas Sales]

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

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

Previous third fiscal quarter (Third quarter of fiscal year 2006)

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

(Reference) Previous fiscal year (Fiscal year 2006)

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

6. State of Purchasing and Selling

(1) Historical purchases

Business segment	Third Quarter of Fiscal 2007 〔 From April 1, 2006 To December 31, 2006 〕		Third Quarter of Fiscal 2006 〔 From April 1, 2005 To December 31, 2005 〕		(Reference) Fiscal 2006	
	Amount	Share (%)	Amount	Share (%)	Amount	Rate (%)
	(million yen)	%	(million yen)	%	(million yen)	%
Pharmaceutical	549,561	100.0	504,388	100.0	655,938	100.0
Information processing	28	0.0	43	0.0	54	0.0
Total	549,590	100.0	504,432	100.0	655,992	100.0

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

(2) Historical sales

Business segment	Third Quarter of Fiscal 2007 〔 From April 1, 2006 To December 31, 2006 〕		Third Quarter of Fiscal 2006 〔 From April 1, 2005 To December 31, 2005 〕		(Reference) Fiscal 2006	
	Amount	Share (%)	Amount	Share (%)	Amount	Rate (%)
	(million yen)	%	(million yen)	%	(million yen)	%
Pharmaceutical	589,156	99.9	537,010	99.8	705,283	99.8
Information processing	51	0.0	91	0.0	116	0.0
SMO	688	0.1	885	0.2	1,088	0.2
Total	589,895	100.0	537,987	100.0	706,488	100.0

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