Summary of Consolidated Financial Results for Fiscal Year Ended March 2006

May 11, 2006

Name of Listed Company:	Toho Pharmaceutical Co., Ltd.	Listed:	Tokyo Stock Exchange
Securities Code Number:	8129	Headquartered:	Tokyo

(URL: http://www.tohoyk.co.jp)
Corporate Representative/Title: Norio Hamada/President and CEO
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Date of Board of Directors meeting for approval of financial results: May 11, 2006
Application of U.S. accounting standards: Not applied

1. Consolidated Results of Operations during Fiscal Year 2006 (from April 1, 2005 to March 31, 2006)

(1) Consolidated Results of Operations (Note) Amounts are truncated to the nearest million yen.

	Net Sales		Operating Income		Ordinary Income	
	Million Yen	(%)	Million Yen	(%)	Million Yen	(%)
Fiscal 2006	706,488	(17.0)	6,104	(78.7)	8,889	(53.4)
Fiscal 2005	603,586	(13.3)	3,415	(-45.7)	5,796	(-32.6)

	Net Income		Net Income per Share	Net Income per Share - Diluted	Net Income to Shareholders' Equity Ratio	Ordinary Income to Total Capital Ratio	Ordinary Income to Net Sales Ratio
	Million Yen	(%)	Yen	Yen	%	%	%
Fiscal 2006	3,612	(6.1)	72 26	65.02	6.9	2.6	1.3
Fiscal 2005	3,405	(-27.4)	72 75	68.75	7.4	2.0	1.0

(Notes) ① Equity in earnings (losses) of equity-method investees: Fiscal 2006: 87 million yen; Fiscal 2005: 42 million yen
② Average number of shares outstanding during fiscal year (consolidated):
Fiscal 2006: 49,490,291 shares; Fiscal 2005: 46,349,875 shares
③ Changes in accounting principles: None
④ Percentages accompanying net sales, operating income, ordinary income, and net income indicate the rate of change compared with the preceding fiscal year.

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Million Yen	Million Yen	%	Yen
Fiscal 2006	358,416	56,916	15.9	1,092.58
Fiscal 2005	323,120	47,782	14.8	1,025.39

(Note) Number of shares outstanding at end of fiscal year (consolidated):
Fiscal 2006: 52,060,051 shares; Fiscal 2005: 46,567,244 shares

(3) Consolidated Cash Position

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Fiscal Year
	Million Yen	Million Yen	Million Yen	Million Yen
Fiscal 2006	4,613	3,593	2,514	34,124
Fiscal 2005	7,172	-10,278	8,715	22,880

(4) Scope of Consolidation and Application of Equity Method
Number of consolidated subsidiaries: 12;
Number of non-consolidated equity-method subsidiaries: None; Number of equity-method affiliates: 2

(5) Changes in Scope of Consolidation or Application of Equity Method
Consolidation: New additions: 2 companies; Exclusions: 1 company
Equity Method: New Additions: None; Exclusions: None

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

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

(Reference) Projected net income per share during full year: 94.99 yen
(Note) The projection of net income per share reflects the number of 5,841,470 shares; newly issued and allocated as a result of the swapping of stocks with Tsuruhara Yoshii as of April 1, 2006.

* 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 11 of the accompanying appendix.

1. State of Corporate Group

For the purposes hereof, the Toho Pharmaceutical Group (Toho Pharmaceutical and its associated companies), or the “Group,” comprises Toho Pharmaceutical, or the “Company,” 23 subsidiaries, and 7 affiliates. The Group’s primary business operations, the connections between these business operations, and their relationships with the segments classified according to the types of business operations are described below.

The divisions of primary business operations agree with those of segments classified according to the types of business operations.

(1) Pharmaceutical Operations

The Company, ten subsidiaries (SANUS, Honma Toho, Tokai Toho, Yamaguchi Toho, Ogawa Toho, Yakushin, Godo Toho, Koyo, and two others), and two affiliates (including Sakai Yakuhin) purchase pharmaceuticals and heath related products, mostly from pharmaceutical manufacturers, for distribution primarily to hospitals, clinics, and dispensing pharmacies.

As far as the related products purchased from pharmaceutical manufacturers are concerned, the Company procures them for, and supplies them to, three subsidiaries (including Ethos) and three affiliates (including TRIAD JAPAN) as well as the foregoing ten subsidiaries and two affiliates.

(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). Additionally, Toho System Service, jointly with the Company, distributes software to medical institutions.

(3) Site Management Organization (SMO) Operations

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

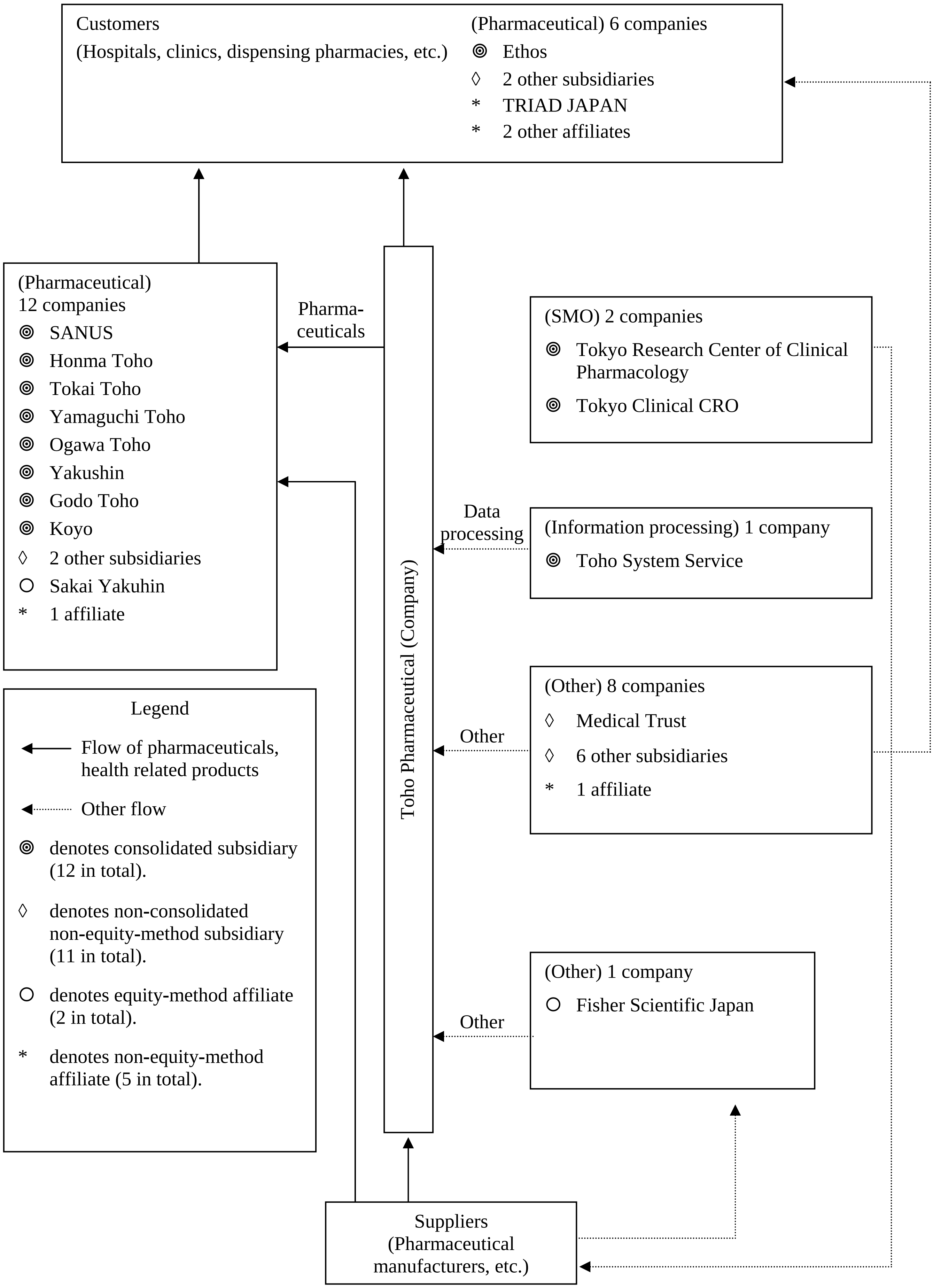
Tokyo Clinical CRO, a subsidiary of Tokyo Research Center of Clinical Pharmacology, undertakes pharmaceutical development services that are commissioned by pharmaceutical manufacturers.

(4) Other Operations

Fisher Scientific Japan, an affiliate, is a distributor chiefly of laboratory equipment, which, by way of the Company, supplies products primarily to research institutes.

Medical Trust, a subsidiary, and seven other companies (six subsidiaries and one affiliate) undertake their respective operations as far as they relate to the Company.

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



(Note) Kinoshita Yakuhin (consolidated subsidiary) is not listed in the diagram above, because it merged with Godo Toho (consolidated subsidiary) on October 1, 2005, with the latter surviving that merger.

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	Niigata City, Niigata	100	Pharmaceutical wholesaling	50.97	Supplied by Company with pharmaceuticals. Company represented on Board of Directors.
Tokai Toho	Naka Ward, Nagoya City, Aichi	100	Pharmaceutical wholesaling	100.00	Supplied by Company with pharmaceuticals. Supported financially by Company. Company represented on Board of Directors.
Yamaguchi Toho	Tsuchiura City, Ibaraki	20	Pharmaceutical wholesaling	51.00	Supplied by Company with pharmaceuticals. Supported financially by Company. 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.
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.
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.
Tokyo Clinical CRO	Shinjuku Ward, Tokyo	10	CRO	72.53 (72.53)	
(Equity-Method Affiliates) Fisher Scientific Japan	Setagaya Ward, Tokyo	100	Import and distribution of laboratory equipment, solvents, reagents, etc.	50.00	Distributes laboratory equipment and basic reagents to Company. Company represented on Board of Directors.
Sakai Yakuhin	Mitaka City, Tokyo	60	Pharmaceutical wholesaling	35.00	Supplied by Company with pharmaceuticals. Company represented on Board of Directors.

(Note) The indirect ownership, if any, which is reflected in a voting ownership ratio, is isolated in parentheses.

2. Business Management Policy

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

As our society ages and suffers from a declining birth rate, the public's interest in medical and health issues is dramatically high, and related markets for medical and health care continue growing in size as well as in variety. Under such market circumstances, we firmly believe in our societal mission of contributing to the medical care and health of the public, and in our style of marketing that proposes solutions based on the perspectives of customers and patients. This must play a pivotal role as the Company operates in accordance with its basic policy of "creating new added value and enhancing its corporate value continuously." In pursuit of realizing this aim, we have endeavored to develop and distribute a variety of services and systems that are unique and proprietary to the Company. They are designed to solve the problems facing the operations of its customers, mostly hospitals, clinics, dispensing pharmacies, and drug stores, and thus to improve the quality of life enjoyed by people in general and patients in particular. Furthermore, the Company has acquired the ability to procure a wide array of products, ranging from reagents, medical materials, and medical equipment, to over-the-counter (OTC) pharmaceuticals and health related products, in addition to a full spectrum of ethical pharmaceuticals. Because of our recognition of the strategic importance of enhancing our business infrastructure, including computer and logistics systems, we have worked on the innovation of these systems.

Our approach to restructuring the distribution business has been that of aggressively promoting the integration of business operations and the formation of business alliances, guided by the basic concept we call the spirit of "Kyoso Mirai" or "Creating the Future Together." This underlies the Company's initiative of integrating its product procurement capabilities and business infrastructure, including computerized systems and logistics, and customer support service functions, on the one hand, and the marketing strongholds of regional leaders in pharmaceutical wholesaling, on the other.

We will continue to accommodate and live up to changes and expectations developing in the market we serve, from the perspectives of customers and patients, true to our new corporate slogan, "Total Commitment to Good Health." For this purpose, we will augment the foundation of our consolidated Group operations, by means of restructuring efforts, as we serve as a distributor of pharmaceuticals. We also consider it important to work aggressively upon developing new forms of distribution and business models by exploiting IT technology and by taking advantage of deregulation moves, in order to enhance our corporate value on a long-term and ongoing basis.

(2) Company's Basic Policy for Allocation of Profit

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 the operational performance. We also seek to retain adequate earnings in order to augment the Company's earning structure and to provide for future market fluctuations.

Following the enforcement on May 1, 2006 of the new Corporations Law, our basic policy for the payment of dividends is not scheduled for revision particularly because of that.

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

As Japan faces the pressures of fiscal rehabilitation and of an aging society suffering a declining birth rate, a variety of initiatives to build a sustainable social security regime are being discussed and experimented with, in preparation for a new "age of dynamics." The pharmaceutical wholesaling industry now finds it of paramount importance to review its older business models and to challenge itself to explore new business possibilities, in anticipation of changes in its operating environment. Under such circumstances, the Toho Pharmaceutical Group drew up its Medium-Term Management Plan for "The Third Founding - Innovation and Creation 07 - 09," scheduled to mark its first year in the fiscal year ending in March 2007. This adopts and upholds a new corporate slogan, "Total Commitment to Good Health," which expresses a common value shared by people in the business of medical and health care. It states a new management ideal of "creating new values together by offering unique and creative services for the benefit of the medical care and health of people around the world." This will govern our efforts to create value to customers, as the Company seeks to enhance its corporate value in the market and to fortify its corporate brand.

The current fiscal year, Year One of the Medium-Term Management Plan, is set aside for inculcating a five-point value system into all Group employees, to be shared throughout the Toho Pharmaceutical Group. This should establish the psychological backbone necessary to inspire a mindset required to implement a philosophy of all-out marketing, based on trust and common understanding among all members.

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.

The “Management Vision” that describes what we desire the Group to be five to ten years from now is a six-point statement. It should guide us as we nurture a corporate culture in tune with a new age and seek the quality of doing business that earns us high marks, both inside and outside the organization, for being a good corporate citizen:

① Establish a corporate brand by virtue of unique and creative ideas that create value to customers;
② Establish a strong and flexible corporate structure by promoting networked Group operations;
③ Develop high-touch sales forces by implementing a people-first philosophy of management (people principles) and empowerment (delegation of powers);
④ Pursue operational efficiencies via the selection of objectives and concentration of resources, promote cost reductions, innovate business structures, and emphasize cash flows in business decisions;
⑤ Enhance corporate value and disclose corporate information promptly and adequately; and
⑥ Observe local and international laws and regulations both to the letter and to the spirit, and practice open and fair corporate activities.

Our vision of the range and structure of business operations of the Group boils down to the keywords of “Medical Care, Health, and Comfortable Living” and “Japan and the World,” which entitle a three-point agenda upon which we should be focused:

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 expansion overseas; and
③ Develop an adequate portfolio of cross-disciplinary alliance-based business models, designed to create value to customers.

Our Group operational plan calls for promoting a strategy for transformation into a high value adding structure and seeks a medium- to long-term goal of improving consolidated ordinary income to 2% as a percentage of net sales. In pharmaceutical and other wholesaling operations, the plan calls for promoting a strategy for gaining efficiencies and seeks a near-term goal of improving SG&A to 5% plus as a percentage of net sales as soon as possible. Our personnel plan envisions having a 5,250-strong total personnel (* as measured in full-time employee equivalents by converting full-time employees into full-time equivalents by a multiple of 1, temporary/contract employees by 0.5, and part-timers by 0.2) at the end of March 2009. We will achieve this by optimizing our personnel structure by making positive use of temporary staff, contract employees, and part-timers while maintaining a critical-mass number of sales representatives.

(4) Company Issues that Need Addressing

Our business management strategy (to address strategic issues for focused efforts) is to innovate patient-centered and customer-centered service structures (business models) and to establish a stronger corporate brand, as we strategize for new growth over medium- to long-term spans. In particular, since this is the first year of the Medium-Term Management Plan, as we address the issues facing the Company, we will focus our hearts and minds on the action plans for tackling the following four areas: (business normalization, greater business efficiencies, higher added value business, and revitaliztaion of organization and human resources):

1) Business Normalization

- We will exhaustively reexamine “unprofitable dealings” as we call them, and stringently deploy the Price Lock System, in order to stay true to marketing attitudes enabled by stabilized selling prices. This means a complete departure from the old preoccupation with sales volumes to become reoriented toward profitability.
- We will work on developing next-generation wholesaler functions in order to develop fee-based business possibilities into new sources of earnings and to develop consultative functions into revenue earners.
- We will work on modernizing the distribution business, such as by correcting the industry practice of provisional shipping with the pricing yet to be negotiated.

2) Greater Business Efficiencies

① Strengthening of the Cosolidated Management Base

- We will work on the resolution of issues of immediate importance to consolidated Group operations, with dispatch. This should facilitate a policy shift from partial to total optimization of the Group to become firmly oriented toward management according to consolidated performance.
- We will adopt and deploy a “Sales Office Level Profit/Loss Management Program” to review sales office functions as frequently as appropriate in order to promote sales-front efficiencies.
- We will endeavor to achieve an automated order receipts ratio of 90%, an automated collections ratio of 95%, and a separated sales and distribution ratio of 90% as quickly as possible.

② Centralizing Business Infrastructure Functions (Logistics, Information, General Administration, Call Center)

- We will inaugurate a new pharmaceutical logistics center equipped with state-of-the-art technology, including IC tags, (scheduled for October 2006) at Yashio, Shinagawa, Tokyo, in order to augment our Tokyo metropolitan area network of logistics capabilities. We will also set up a new reagent logistics center at Heiwajima, Ota, Tokyo, to build a nationwide supply capability (scheduled for October 2006). We will begin working out details to restructure the TBC Higashi Osaka in order to bolster our Kansai-region network of logistics capabilities.
- Now that we commenced small-lot wholesaling also to medical institutions (in February 2006), we will augment the capacity of PFP Daizawa, the largest of our four distribution centers specifically for small-lot wholesaling located nationwide. This should enhance our supply capacity substantially by virtue of increased automation (mechanization).
- Our mission-critical business operations system was switched over from a mainframe to an open systems environment (UNIX machines) (in February 2006), in order to reduce costs and to ensure extensibility to prepare for future growth in demand for throughput. An East and West Japan dual-center approach (a double system employing a data center) to avoid complete system paralysis, particularly in the event of disaster, was adopted in order to build an absolute risk management readiness to meet society's mandate to ensure the distribution of pharmaceuticals.
- We will set up East and West Japan Administration Centers (scheduled for inauguration in October 2006). This should consolidate financial and accounting systems and HR and payroll systems, centralize and overhaul Group companies' general administrative workloads for increased efficiencies, and standardize back-office work procedures and processes.
- We will enhance the quality and capacity of the East Japan Call Center and will consider constructing a new West Japan Call Center.

③ Promotion of Cash Flow Management

- We will promote efficiencies in order to achieve a product inventory turnover goal of 0.50 month (6-month average) by March 2009. (As of September 2005: 0.68 month)
- We will promote efficiencies in order to achieve a months of accounts receivable goal of 2.80 months (6-month average) by March 2009. (As of September 2005: 3.02 months)
- We will centralize the financial functions of consolidated companies, in order to reduce our consolidated debt interest burden, by adopting a Cash Management System (in April 2006).

3) Higher Added Value Business

① Sales and Marketing Innovation and Establishment of a Corporate Brand

- We will review marketing structures flexibly to accommodate the characteristics of local medical service, in order to bolster area marketing capabilities. Special emphasis will be put on reinforcing sales in the Tokyo metropolitan area.
- We will work on supplying real-time information about various relevant subjects and on enhancing an array of products to ensure stable supply, in order to accommodate expansion in the market for generic pharmaceuticals.
- We will work on popularizing and expanding the market for customer support programs centered on ENIF (an interactive system enabling ordering and information retrieval on a handheld information terminal). In particular, we will establish a strong market share leadership position in each of the niche categories of eniFAX (a prescription fax system), ENIF-win (inventory management system), PharmaStream ENIF club plan (Web-learning: Internet-based pharmacists' lifelong education course/learning support system), and LXMATE-HeLios (a hospital appointment booking system via telephone).
- We will introduce a new program (ENIF Medical Club) of small-lot wholesale and other services for medical institutions, and step up marketing in sales channels to general practitioners (who write prescriptions), in particular, in order to contribute to enhanced value to customers.
- We will set up a new website (tentatively called ENIF-DI) whose purpose is to revolutionize the pharmaceutical information service, in order to create new business opportunities in providing information to meet the diverse needs of medical service providers in action.

② Eapansion of Business to Medical Care and Health Services Areas

- We will make maximum use of platform functions built into our pharmaceutical wholesaling operations to aggressively expand operations in the field of medical and health care services. These include reagent operations, dispensing pharmacy operations, SMO (Site Management Organization) operations, CSO (Contract Sales Organization) operations, consulting operations, receipt computer operations, general practitioner support operations, SPD (Supply Processing & Distribution) operations, and bio related operations. We will grow these operations into significant revenue earners in future.

③ Alliance Strategy and Outlook for Internationalization

- Within the Kyoso Mirai Group, we will achieve increased levels of co-purchasing, cooperative sales promotions, and shared use of customer support systems, and will centralize business operations infrastructures in order to reinforce the foundation of Group operations.

- We will tap into OHKI's product procurement capability to support dispensing pharmacies in adding value to their retail stores, in order to create new business opportunities in the field of self-medication.
- Within the Ashi-no-kai Group, we will enhance the coherence of the member companies in stepping up cooperative sales promotions, developing fee-based business opportunities and developing and growing new business fields via the development of new wholesaler functions. We will take advantage of the member companies' respective territorial leadership embedded in local medical service, as the Group clearly positions itself relative to the competition and seeks to establish holistic competitive advantages for itself.
- As a way of building stronger cooperative relationships with partnership companies overseas, we will commence a human resources interchange program (exchange education program) in April 2006.

4) Revitailization of Organization and Human Resources:
- We will drastically review the manner in which we assess and reward the performance of personnel, in preparation for the commencement in October 2006 of a new personnel assessment system.
- In the development of human resources, an asset of utmost importance to wholesaling, in addition to the established training programs (e.g., MTP Training and US Seminar), we will institute a "New Leader Training" for mid-management personnel responsible for executing the Medium-Term Management Plan on the front line of operations. This is designed to promote the aggressive development of next-generation leadership full of entrepreneurship. Furthermore, we will use the Medium-Term Management Plan as a vehicle to facilitate deeper communication vertically and horizontally throughout the organization.

During the first year of the Medium-Term Management Plan, we will seek to "implement marketing based on trust and common understanding by establishing a stronger Toho Pharmaceutical brand" and to "achieve the quality only expected from Toho Pharmaceutical that no competitor can emulate." We are a group of businesses that have resonated to and assembled under the banner of "Kyoso Mirai" or "Creating the Future Together" and that have developed a strong centripetal force and a sense of oneness over a history of many years. In self-recognition of this, all members stand united in working to achieve the focused strategic challenges (action plans) in accordance with the new vision of business management reforms.

3. Results of Operations and Financial Position

(1) Results of Operations

1) Results of Operations during Fiscal 2006

During the fiscal year under review, Japan's economy departed from a period of marking time and demonstrated a clear upturn. Meanwhile, the pharmaceutical wholesaling industry continued to find itself in a difficult environment as a downtrend in sales prices had persisted since the preceding year.

Under such circumstances, the Toho Pharmaceutical Group (and the Kyoso Mirai Group) continued to place top priority on the profitability oriented management of operations and remained united in carrying out initiatives to improve its modus operandi. Among these were withdrawals from shipment, or negotiations to improve trading terms, in unprofitable customer relationships, stepped-up deployment of the margin-bolstering "Price Lock System" (a price management mechanism that blocks the issuing of sales vouchers if the pricing falls short of a certain level), and organizational rearrangements to minimize the cost structure.

During the fiscal year under review, the Company added new companies to the list of its consolidated entities. The Company established Kinoshita Yakuhin (headquartered in Nara), a wholly owned subsidiary, by means of swapping stocks in April 2005. The Company's acquisition in October 2005 of a 59.1% stake in KOYO (headquartered in Takamatsu) made the latter eligible to become a new addition to the list.

As a result of these initiatives, the Company's results for consolidated operations during fiscal 2006 showed net sales up by 102,902 million yen on a year-on-year basis to 706,488 million yen (117.0% of its prior-year level). This exceeded the average growth (4.5%) achieved by the market, especially because, despite extremely difficult conditions surrounding the industry, our customer-centered proposal-based marketing approach that took advantage of the Company's proprietary customer support systems received a strong welcome. Other key factors included stronger coherence of the member companies of the Kyoso Mirai Group that facilitated their co-marketing efforts, and the aforementioned new additions to the list of consolidated companies.

Gross income increased by 7,964 million yen to 51,971 million yen (118.1% of its prior-year level), which, as a percentage of net sales, came to 7.4%, an increase of 10 basis points year-on-year. We learned and applied the lessons of the substantial decline in selling prices experienced in the preceding year, when we ceased unprofitable trading relationships with customers and overhauled unprofitable product lines. Reinforced deployment of the Price Lock System and concerted steps aggressively taken by the members of the Kyoso Mirai Group also ensured increased profitability.

SG&A expenses increased because of the increased number of consolidated companies, but improved as a percentage of net sales, primarily as a result of the centralization of administrative work processes and reductions in expenses reported by some consolidated companies, owing to voluntary early retirements. SG&A was up by 5,275 million yen to 45,867 million yen (113.0% of its prior-year level), which, as a percentage of net sales, came to 6.5%, a decrease of 20 basis points year-on-year.

Consequently, operating income was up by 2,689 million yen year-on-year to 6,104 million yen.

Ordinary income increased by 3,092 million yen to 8,889 million yen (153.4% of its prior-year level), which amounted to 1.3% of net sales.

Extraordinary loss included 611 million yen recorded to account for impairments in fixed assets, and 585 million yen to account for lump-sum retirement grants to voluntary early retirements.

Consequently, net income increased by 207 million yen to 3,612 million yen (106.1% of its prior-year level)

As the surroundings of medical service changed drastically, similarly dramatic shifts in market conditions experienced by the pharmaceutical wholesaling industry included broadened and diversified customer markets to be served and increased sizes of competitors to be reckoned with. In view of this, the Company aggressively implemented steps to form business alliances with companies uniquely distinguished and closely rooted in their respective regions. In March 2005, we allied with HOKUYAKU (headquartered in Sapporo), VITAL-NET (Sendai), Nabelin (Matsumoto), Nakakita Yakuhin (Nagoya), KSK (Osaka), and ASTEM (Oita). Later in October 2005, this consortium, including Toho Pharmaceutical, was joined by Iwabuchi Yakuhin (Sakura, Chiba Pref.) and OMWELL (Hiroshima), already a business ally and member of the Kyoso Mirai Group since May 2004, to establish a nine-company joint-operation company. It was christened "Ashi-no-kai" or HEREON Inc. (headquartered in Chuo Ward, Tokyo). The Ashi-no-kai Group will pursue stronger coherence of its members as they seek to enhance their cooperative sales promotion, to jointly create fee-based business opportunities by developing new wholesaler functions, and to pioneer and grow new fields of business. Ashi-no-kai will take advantage of its member companies' respective territorial leadership, embedded in local medical service, as the Group clearly positions itself relative to competition and establishes holistic competitive advantages for itself.

The Company took a further step in this direction in June 2005 when it formed a business alliance with OHKI (Bunkyo Ward, Tokyo), a wholesaler of OTC pharmaceuticals (and recently, increasing amounts of nutritional foods and health supplements). This partnership is designed to tap into OHKI's product procurement capability as we assist dispensing pharmacies in adding value to their retail stores, with a view to creating new business opportunities in the field of self-medication.

Within the Kyoso Mirai Group, in October 2005 the Company merged its wholly owned subsidiaries, Godo

Toho (headquartered in Osaka) and Kinoshita Yakuhin (Nara), with the former surviving the merger. In April 2006, the Company transformed Tsuruhara Yoshii (Kumamoto), a business ally since January 2001, into a wholly owned subsidiary by means of swapping stocks. In conjunction with YAKUSHIN (Fukuoka), then already a consolidated company itself, this step extended the Group's market to encompass the entire Kyushu region.

As a balance sheet initiative to enhance its financial strength and augment its capital structure, as well as reinforcing its relationships with suppliers (pharmaceutical manufacturers), in November 2005 the Company issued new shares of its stock for third-party allocation (to a total amount of 6,792 million yen at their issue price).

In January 2006, the Company drew up and announced its first-ever medium-term consolidated management plan, entitled The Third Founding - "Innovation and Creation" 07 - 09. This adopted and upheld a new corporate slogan, "Total Commitment to Good Health," a common value shared by people engaged in and around medical service and health care, which united all members of the corporate group as it worked upon implementing the plan.

As the Company explored new business possibilities, Tokyo Research Center of Clinical Pharmacology (Shinjuku Ward, Tokyo), a subsidiary, launched a new business undertaking to provide objective assessments of the effectiveness of medicines and goods for the treatment of hay fever. Under this scheme, a pollinosis research and study facility, called "Ohio Chamber," capable of maintaining the concentration of airborne pollen inside at naturally occurring levels, was constructed at an affiliated Samoncho Clinic.

Another area where the Company puts extra emphasis is the development of human resources, and the MTP Training program for educating personnel to develop the ability to promote proposal-based marketing is an ongoing example for that purpose. In fiscal 2006, 87 personnel took the course, bringing the total alumni to 553.

Last year, the Company instituted a program for the preferential treatment of shareholders as a way of returning their favors.

Segmental results of operations according to the types of business are given below:

In pharmaceutical operations, net sales amounted to 705,403 million yen, an increase of 17.1% year-on-year.

The two-digit growth in net sales primarily reflected the reputation earned by our customer-centered proposal-based marketing that took advantage of customer support systems, as well as two new additions to the list of consolidated companies. Stepped-up deployment of the Price Lock System and withdrawals from shipping to unprofitable trading relationships, as well as other efforts to ensure profitability, increased gross income to 7.3% of net sales, an increase of 10 basis points year-on-year.

Consequently, operating income amounted to 6,769 million yen, an increase of 67.7% year-on-year.

In information processing operations, net sales amounted to 1,210 million yen, an increase of 1.1% year-on-year. During fiscal 2006, a new mission-critical system for deployment throughout the Toho Pharmaceutical Group was completed and reflected in net sales, but the constraints placed on operations elsewhere were partly responsible for segmental net sales almost leveling off year-on-year. An increase in the cost of developing the new mission-critical system contributed to an increase of 19 million yen in operating expenses, which resulted in operating income amounting to 58 million yen, a decrease of 10.0% year-on-year.

In SMO operations, net sales amounted to 1,088 million yen, a decrease of 23.7% year-on-year. This was due primarily to the separation of clinical trial facilities in August 2004 and a decrease in sales of clinical trial services contracted by manufacturers. Significant fixed costs, including personnel expenses and real estate rental charges, burdened operating income, which amounted to 90 million yen, a decrease of 67.1% year-on-year.

2) Analyzing Results of Operations

① Net Sales

Net sales continued to be strong and increased by 102,902 million yen or by 17.0% on a year-on-year basis. Kinoshita Yakuhin (which merged with Godo Toho on October 1, 2005) and Koyo were consolidated effective with the fiscal year under review. Another factor in increasing overall net sales was a year-on-year increase of 9,934 million yen or 20.6% in sales to those members of the Kyoso Mirai Group that were not consolidated.

② Selling, General and Administrative Expenses

The consolidation of Kinoshita Yakuhin and Koyo increased SG&A expenses, but, as a percentage of net sales, SG&A expenses decreased by 20 basis points to 6.5% year-on-year.

3) Projections for Next Fiscal Year

The fiscal year ending in March 2007 is a year that has seen the NHI list of drug prices revised. The drug prices were reduced by an average of 6.7% in April 2006. Since we learned the lessons of weakening prices triggered by wholesalers' undercutting competition, following the revision of drug prices two years ago, we will place top priority on the profitability of operations in order to ensure profit margins.

In the next fiscal year, we will pursue aggressive price negotiations which place a primary emphasis on correcting selling prices to our customers. We anticipate these negotiations to be uphill battles, but are ready to overcome them as the Kyoso Mirai Group stands united. For a second consecutive year, we will review unprofitable trading relationships, negotiate the removal of unprofitable product items from our shipments, and step up the deployment of the Price Lock System, in order to ensure a minimum of profitability.

We will stay focused on marketing activities that take advantage of the Company's proprietary customer-oriented support systems, in a ploy to avoid getting drawn into an undercutting competition.

Effective from the next fiscal year, Tsuruhara Yoshii (headquartered in Kumamoto) will be consolidated.

As a way of gaining business efficiencies and reducing costs, our "East and West Administration Centers" initiative will become a reality in autumn of this year. This will enable the centralized processing of administrative workloads now dispersed across the Kyoso Mirai Group.

As a result of all of the above, our consolidated performance projections for the next fiscal year include anticipated net sales of 760,000 million yen (107.6% of the previous year's level), ordinary income to be 11,100 million yen (124.9% of the prior-year level), and net income to be 5,500 million yen (152.2% of the previous year's level).

(2) Financial Position

1) Financial Position during Fiscal 2006

(Total Assets)

Total assets increased by 35,296 million yen or by 10.9% over the previous year.

Major increases in current assets were an increase of 6,559 million yen in cash on hand and on deposit, an increase of 9,505 million yen in trade accounts receivable, and an increase of 4,538 million yen in inventories.

In fixed assets, investment securities increased by 12,300 million yen.

(Shareholders' Equity)

Shareholders' equity increased by 9,133 million yen or by 19.1% over the previous year. This reflected an increase of 3,396 million yen in capital stock and an increase of 3,420 million yen in capital surplus, of which 6,792 million yen was attributable to a capital increase as a result of the issuing of new shares for third-part allocation.

The capital increase and other efforts to augment the capital structure were largely responsible for an increase of 1.1 points in the shareholders' equity ratio at the end of fiscal 2006 to 15.9% from 14.8% the previous year.

2) Cash Flows during Fiscal 2006

Consolidated cash and cash equivalents (hereinafter referred to as "cash") during the fiscal year under review increased by 11,244 million yen compared with the preceding fiscal year. As a result of this, the consolidated cash balance at the end of fiscal 2006 came to 34,124 million yen.

The three categories of consolidated cash flows during fiscal 2006, as well as the factors that caused them, are described below:

(Cash Flows from Operating Activities)

Operating activities generated a net capital increase of 4,613 million yen (a decrease of 2,558 million yen compared with the preceding fiscal year).

This primarily reflected net income before income taxes of 7,061 million yen and an increase in trade payables of 5,246 million yen, despite an increase in trade receivables of 4,778 million yen, an increase in inventories of 1,508 million yen, and an income tax payment of 1,131 million yen.

(Cash Flows from Investing Activities)

Investing activities generated a net cash increase of 3,593 million yen (an increase of 13,872 million yen compared with the preceding fiscal year).

This primarily reflected time deposit refunds of 5,058 million yen (after deduction of time deposit additions of 371 million yen) and proceeds of 1,476 million yen from the sale of tangible fixed assets, despite acquisitions of investment securities worth 1,895 million yen and acquisitions of stocks in subsidiaries worth 1,211 million yen.

(Cash Flows from Financing Activities)

Financing activities generated a net cash increase of 2,514 million yen (a decrease of 62.00 million yen compared with the preceding fiscal year).

This primarily reflected proceeds of 6,792 million yen from the issue of new shares for third-party allocation, and proceeds of 143 million yen from minority shareholders' payments for subsidiaries' new share issues for third-party allocation. Meanwhile, short-term loans payable decreased by 1,693 million yen, long-term debts of 1,588 million yen were repaid, and own company shares worth 912 million yen were repurchased.

3) Projections for the Next Fiscal Year

For fiscal 2007, the Company projects consolidated net income before income taxes at 10,000 million yen and depreciation at 2,300 million yen.

We will endeavor to reduce trade accounts receivable and inventories and to retain adequate earnings for effective utilization.

Trends in the Toho Pharmaceutical Group's key indicators of cash flows are tabulated below:

	54th Fiscal Term	55th Fiscal Term	56th Fiscal Term	57th Fiscal Term	58th Fiscal Term
	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Shareholders' Equity Ratio (%)	16.4	16.1	17.0	14.8	15.9
Shareholders' Equity Ratio (%) at Market Value	6.4	7.6	25.0	17.8	25.2
Debt Repayment Period (Years)	68.4	1.8	5.1	1.8	2.4
Interest Coverage Ratio	0.7	32.3	11.3	38.1	27.9

* Shareholders' equity ratio: Shareholders' equity/Total assets
Shareholders' equity ratio at market value: Total market value of stock/Total assets
Debt repayment period: Interest-bearing debt/Cash flows from operating activities
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 as it appears on Statements of Consolidated Cash Flows. Interest-bearing debt corresponds to all interest-paying debt as recorded on Consolidated Balance Sheets. Interest paid corresponds to interest payments as it appears on Statements of Consolidated Cash Flows.

(3) Business Risks

The major risks relevant to the business operations and other affairs of the Company and the Toho Pharmaceutical Group are described below. The discussions of the future that appear in this section reflect the observations reached by the Company as of the date of announcement of financial results contained herein (May 11, 2006).

① Legal Regulations

In pharmaceutical operations, as of the end of March 2006, the Toho Pharmaceutical Group, together with the Company's business alliance partners (17 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 and other related laws and regulations as they concern the Group's establishment of sales offices.

The Group is subject to the Pharmaceutical Affairs Law and other related laws and regulations as they govern the Group's marketing and carrying of pharmaceuticals, which involves the Group's obtaining of various approvals and/or licenses and filing of various notifications.

② Ramifications of Revised Health Insurance Regime

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

The Health, Labour and Welfare Ministry surveys the prevailing sale and purchase prices of ethical pharmaceuticals in the marketplace and revises the NHI Drug Price Standards to reflect the 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, by 6.3% in April 2002, by 4.2% in April 2004, and by 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 by subsequent declines in sale prices following the revision. In addition to revisions in the Standards, since the government plans a drastic overhaul of medical service as a consequence of weakened health insurance finances, depending on how it works out details, the Toho Pharmaceutical Group's performance might suffer repercussions.

③ Realignment of Industry

While the government spearheads efforts to contain medical bills, the market for ethical pharmaceuticals shows indications of maturation.

Meanwhile, the voices of medical institutions, with their drug price gap (the differential between the NHI Drug Prices and their purchase prices) tending to become narrower, have become louder in calling upon wholesalers to reduce their prices.

Under such circumstances, pharmaceutical wholesalers have scrambled to ensure their profitability by seeking scale. Consequently, as the industry has become consolidated, the membership of the Federation of Japan Pharmaceutical Wholesalers Associations at the end of each March, shrank to 180 in 2001, 175 in 2002, 154 in 2003, 147 in 2004, and 142 in 2005.

The industry considers it critically important to continue to pursue merits of scale in order to gain stronger bargaining power versus pharmaceutical manufacturers over its purchase prices and versus medical institutions and dispensing pharmacies over its sale prices, in the interest of enhanced profit margins. Its challenges also include becoming fully equipped with IT, ensuring channels of procurement transcending manufacturer groupings, and becoming ready for a drastic reform of the health insurance regime, all of which are likely to precipitate the industry's realignment.

The Toho Pharmaceutical Group intends to take flexible steps to scale up its size with an eye on launching M&A, purchasing operations, and/or forming business alliances, in tune with its situation. However, such approaches, depending on how successful they turn out to be, might have an impact on the Toho Pharmaceutical Group's results of operations.

④ Business Practices Unique to Industry

- Delivery before Price Negotiation even Begins

  The industry is known for a peculiar form of business practice, in which a pharmaceutical vendor delivers a shipment to a medical institution, with its price tag yet to be determined. The understanding is that they enter into price negotiations some time thereafter. The fact that the life or death nature of pharmaceutical products allows no excuse for delaying shipment is the reason that has fostered the practice. Customarily, before the sale/purchase price is determined, provisional payments are made in reference to the NHI Drug Price Standards.

  If its price negotiations take too long to complete, it may adversely affect the Toho Pharmaceutical Group's operational results.

- Rebates of Sales and Sales Promotion Cash Incentives

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

  Sales are rebated at rates that mostly 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 the payment to the volume of products sold and/or to the frequency of shipments to retailers, and have the same effect as sales rebates, namely of reducing purchase prices.

  As explained above, rebates of sales and sales promotion incentives can affect pharmaceutical wholesalers' gross profit margin, and the Toho Pharmaceutical Group is invested in acquiring these payments. Depending on manufacturers' marketing strategies, however, that might have an impact on the Toho Pharmaceutical Group's operational results.

⑤ Changes in Operating Environment of Public Medical Institutions

As the government's implementation of restructuring policy progresses, public medical institutions are increasingly held accountable for their finances and operations on a stand-alone basis.

This change in their operating environment has imposed the important task of streamlining their hospital administration procedures on the management of public medical institutions. As a way of achieving that, since around 2003, some public medical institutions have begun working on rationalizing their procedures for purchasing pharmaceuticals. This rationalization movement gained a major impetus when in fiscal 2004 the National Hospital Organization, an independent administrative agency, changed its method of conducting bidding procedures to the joint inviting of bidders, instead of on an individual hospital basis as formerly. Other public hospitals consortiums are now likely to follow its lead.

This way of streamlining pharmaceutical purchasing procedures can not only achieve procedural labor-savings but also dramatically increase the size of purchases, and now provides consortiums of public hospitals with an effective means to enjoy scale merits as they show up in their purchase prices.

This kind of change in public hospital groups' manner, in which they conduct bidding procedures, might become a factor in triggering a decline in sale prices, which might adversely affect Toho Pharmaceutical's earnings situation.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

Account / Fiscal year		Fiscal 2005 (As of March 31, 2005) Amount		Share	Fiscal 2006 (As of March 31, 2006) Amount		Share	Increase (Decrease)
(Assets)				%			%	
I Current assets								
1. Cash on hand and on deposit	(Note 3)		26,951			33,511		
2. Notes and accounts receivable			175,310			185,200		
3. Marketable securities			2,495			2,495		
4. Inventories			39,966			44,505		
5. Deferred tax assets			1,132			1,196		
6. Purchase rebates receivable			10,821			10,938		
7. Other			8,316			8,013		
Allowance for doubtful receivables			-310			-295		
Total current assets			264,685	81.9		285,566	79.7	20,881
II Fixed assets								
1. Property, plant and equipment	(Note 1)							
(1) Buildings and structures	(Note 3)		13,203			12,965		
(2) Vehicles and carriers			155			83		
(3) Land	(Notes 3 & 7)		23,303			25,003		
(4) Construction in progress			69			134		
(5) Other			1,033			1,582		
Total property, plant and equipment			37,767	11.7		39,769	11.1	2,002
2. Intangible fixed assets								
(1) Goodwill			1,262			957		
(2) Other			1,202			2,287		
Total intangible fixed assets			2,464	0.8		3,245	0.9	781
3. Investments and other assets								
(1) Investments in securities	(Notes 2 & 3)		13,792			26,223		
(2) Long-term loans receivable			663			864		
(3) [Deferred income taxes]			125			69		
(4) Deferred tax assets due to revaluation	(Note 7)		1,547			-		
(5) Other			2,978			3,533		
Allowance for doubtful receivables			-904			-855		
Total investments and other assets			18,203	5.6		29,835	8.3	11,632
Total fixed assets			58,435	18.1		72,850	20.3	14,415
Total assets			323,120	100.0		358,416	100.0	35,296

(Millions of yen)

Account / Fiscal year		Fiscal 2005 (As of March 31, 2005) Amount	Share	Fiscal 2006 (As of March 31, 2006) Amount	Share	Increase (Decrease)
(Liabilities)			%		%	
I Current liabilities						
1. Notes and accounts payable	(Note 3)	230,853		244,821		
2. Short-term loans payable	(Note 3)	9,219		9,126		
3. Current portion of long-term debt	(Note 3)	1,409		1,363		
4. Income taxes payable		442		2,000		
5. Accrued expenses		1,419		1,397		
6. Accrued bonuses		1,972		2,094		
7. Reserve for sales returns		324		291		
8. Other		3,348		3,258		
Total current liabilities		248,992	77.1	264,354	73.8	15,362
II Long-term liabilities						
1. Bonds payable		10,000		10,000		
2. Long-term debt	(Note 3)	2,056		763		
3. Deferred tax liabilities		3,281		7,564		
4. Accrued retirement benefits for employees		3,817		3,603		
5. Accrued retirement benefits for directors and corporate auditors		700		904		
6. Liabilities resulted from the investments in affliates		24		11		
7. Consolidation adjustments		3,666		4,133		
8. Deferred tax liabilities due to revaluation	(Note 7)	110		1,417		
9. Other		0		2,942		
Total long-term liabilities		23,658	7.3	31,341	8.7	7,683
Total liabilities		272,650	84.4	295,695	82.5	23,045
(Minority interests)						
Minority interests		2,687	0.8	5,804	1.6	3,117
(Shareholders' equity)						
I Common stock	(Note 5)	7,003	2.2	10,399	2.9	3,396
II Capital surplus		10,862	3.3	14,282	4.0	3,420
III Retained earnings		32,220	10.0	35,184	9.8	2,964
IV Unrealized gains on revaluation of land	(Note 7)	-2,277	-0.7	-4,889	-1.4	-2,612
V Unrealized gains on available-for-sale securities		1,661	0.5	3,207	0.9	1,546
VI Treasury stock	(Note 6)	-1,687	-0.5	-1,268	-0.3	419
Total shareholders' equity		47,782	14.8	56,916	15.9	9,134
Total liabilities, minority interests and shareholders' equity		323,120	100.0	358,416	100.0	35,296

(2) Consolidated Statements of Income

(Millions of yen)

Account \ Fiscal year	Fiscal 2005 (From April 1, 2004 To March 31, 2005) Amount		Percentage	Fiscal 2006 (From April 1, 2005 To March 31, 2006) Amount		Percentage	Increase (Decrease)
			%			%	
I Net sales		603,586	100.0		706,488	100.0	102,902
II Cost of sales		559,600	92.7		654,568	92.6	94,968
Gross income		43,985	7.3		51,920	7.4	7,935
Reversal of reserve for sales returns		22	0.0		51	0.0	29
Gross income after reserve for sales returns		44,007	7.3		51,971	7.4	7,964
III Selling, general and administrative expenses							
1. Directors' salaries and employees' salaries and allowances	20,791			24,079			
2. Provision for accrued bonuses	1,940			2,094			
3. Provision for accrued retirement benefits for employees	1,187			442			
4. Provision for accrued retirement benefits for directors and corporate auditors	54			67			
5. Welfare expenses	3,380			3,781			
6. Vehicle expenses	861			1,069			
7. Provision for allowance for doubtful receivables	-			104			
8. Depreciation and amortization	1,767			1,904			
9. Rent	3,069			3,475			
10. Taxes and dues	708			721			
11. Miscellaneous expenses	6,830	40,592	6.7	8,125	45,867	6.5	5,275
Operating income		3,415	0.6		6,104	0.9	2,689
IV Non-operating income							
1. Interest income	56			59			
2. Dividend income	140			191			
3. Fee income	1,209			1,440			
4. Real estate rental income	185			225			
5. Amortization of consolidation adjustments	836			840			
6. Equity in earnings of investees	42			87			
7. Miscellaneous income	460	2,930	0.5	554	3,400	0.5	470
V Non-operating expenses							
1. Interest expenses	183			165			
2. New share issue expense	-			36			
3. Bond issue expense	37			-			
4. Specified line commitment fees	43			54			
5. Loss before deduction of temporary consumption tax payment	244			311			
6. Miscellaneous losses	40	548	0.1	47	615	0.1	67
Ordinary income		5,796	1.0		8,889	1.3	3,093
VI Extraordinary gains							
1. Gains on sales of fixed assets (Note 1)	138			175			
2. Gains on sales of investment securities	20			25			
3. Gains on sales of golf club memberships	-			6			
4. Gain due to switchover to defined contribution pension program	-			33			
5. Gain on cancellation of insurance reserve fund	-			28			
6. Reversal of allowance for doubtful receivables	83			-			
7. Other	15	258	0.0	9	279	0.0	21

(Millions of yen)

Account / Fiscal year	Fiscal 2005 (From April 1, 2004 To March 31, 2005) Amount		Percentage	Fiscal 2006 (From April 1, 2005 To March 31, 2006) Amount		Percentage	Increase (Decrease)
			%			%	
VII Extraordinary losses							
1. Loss on disposal of fixed assets (Note 2)	125			479			
2. Loss on sale of investment securities	-			0			
3. Loss on revaluation of investment securities	0			109			
4. Loss on revaluation of stocks in subsidiaries	-			19			
5. Loss on sale of golf club memberships	-			2			
6. Loss on revaluation of golf club memberships	5			13			
7. Directors' retirement benefits	-			34			
8. Lump-sum grants to voluntary early retirements	-			585			
9. Loss due to switchover to defined contribution pension program	-			221			
10. Loss due to premature cancellation	8			-			
11. Loss due to change in equity	-			11			
12. Loss due to dissolution of pharmaceutical business employees pension fund	128			-			
13. Impairment loss (Note 3)	-			611			
14. Other	17	286	0.0	15	2,106	0.3	1,820
Income before income taxes		5,768	1.0		7,061	1.0	1,293
Corporate income, inhabitant and enterprise taxes	1,851			2,812			
Adjustments for income taxes	285	2,137	0.4	416	3,228	0.5	1,091
Minority interests		225	0.0		220	0.0	-5
Net income		3,405	0.6		3,612	0.5	207

(3) Consolidated Statements of Retained Earnings (Millions of yen)

Account / Fiscal year	Fiscal 2005 (From April 1, 2004 To March 31, 2005) Amount		Fiscal 2006 (From April 1, 2005 To March 31, 2006) Amount		Increase (Decrease)
(Capital Surplus)					
I Capital surplus at beginning of year		8,957		10,862	1,905
II Increase in capital surplus					
Increase due to issue of new shares	-		3,396		
Increase due to stock swapping	1,145		-		
Gain on disposal of treasury stock	759	1,904	24	3,420	1,516
III Capital surplus at the end of the year		10,862		14,282	3,420
(Retained earnings)					
I Retained earnings at beginning of year		29,355		32,220	2,865
II Increase in retained earnings					
Net income	3,405		3,612		
Increase due to addition of consolidated subsidiaries	-		1		
Increase due to exclusion of consolidate subsidiary	54		-		
Increase due to stock swapping	9		-		
Transfer from land revaluation excess	-	3,468	7	3,621	153
III Decrease in retained earnings					
Cash dividends	468		465		
Directors' bonuses	39		38		
(including auditors' bonuses)	(2)		(2)		
Decrease due to stock swapping	-		0		
Transfer from land revaluation excess	96	604	151	656	52
IV Retained earnings at the end of the year		32,220		35,184	2,964

(4) Consolidated Statements of Cash Flows

(Millions of yen)

Account \ Fiscal year	Fiscal 2005 (From April 1, 2004 To March 31, 2005)	Fiscal 2006 (From April 1, 2005 To March 31, 2006)	Increase (Decrease)
I Cash flows from operating activities			
Income before income taxes	5,768	7,061	
Depreciation	1,767	1,904	
Loss on impairment	-	611	
Amortization of consolidation adjustments	-836	-840	
Equity in earnings of investees	-42	-87	
Decrease in accrued employees' retirement benefits	-210	-1,629	
Increase (decrease) in accrued directors' retirement benefits	0	-323	
Decrease in reserve for sales returns	-22	-51	
Decrease in accrued bonuses	-121	-37	
Decrease in allowance for doubtful receivables	-491	-227	
Interest and dividend income	-196	-251	
Fee income	-1,209	-1,440	
Real estate rental income	-185	-225	
Miscellaneous income	-460	-554	
Interest expense	183	165	
New share issue expense	-	36	
Bond issue expense	37	-	
Specified line commitment fee	43	54	
Loss before deduction of temporary consumption tax payment	244	311	
Miscellaneous loss	40	47	
Loss on sale of fixed assets	-138	-175	
Loss on disposal of fixed assets	124	479	
Loss on disposal of long-term prepaid expense	1	-	
Gain on sale of investment securities	-20	-25	
Loss on sale of investment securities	-	0	
Loss on revaluation of investment securities	0	109	
Loss on revaluation of stocks in subsidiaries	-	19	
Gain on cancellation of insurance reserve fund	-	-28	
Other extraordinary gains	-15	-9	
Gain on sale of golf club memberships	-	-6	
Loss on sale of golf club memberships	-	2	
Loss on revaluation of golf club memberships	5	13	
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 premature cancellation	8	-	
Loss due to change in equity	-	11	
Other extraordinary losses	17	15	
Other non-cash losses (gains)	41	51	
Increase in trade receivables	-28,229	-4,778	
Increase in inventories	-4,319	-1,508	
Decrease (increase) in purchase rebates receivable	-121	708	
Increase in other assets	-940	-2,032	
Increase in trade payables	37,859	5,246	
Increase in other liabilities	1,035	726	
Increase (decrease) in accrued consumption taxes	-331	136	
Payment of directors' bonuses	-47	-45	
Subtotal	9,239	4,277	-4,962

(Millions of yen)

Account \ Fiscal year	Fiscal 2005 (From April 1, 2004 To March 31, 2005)	Fiscal 2006 (From April 1, 2005 To March 31, 2006)	Increase (Decrease)
Interest and dividend income	157	229	
Fee income	1,205	1,423	
Real estate rental income	183	226	
Miscellaneous income	440	573	
Other extraordinary income	15	-	
Interest payment	-188	-165	
Payment of new share issue expense	-	-36	
Payment of bond issue expense	-37	-	
Payment of specified line commitment agreement fee	-55	-51	
Miscellaneous payment	-31	-20	
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	
Payment due to premature cancellation loss	-8	-	
Other extraordinary expense	-10	-	
Payment of income taxes	-3,738	-1,131	
Net cash provided by operating activities	7,172	4,613	-2,559
II Cash flows from investing activities			
Payment for addition to time deposits	-4,860	-371	
Proceeds from refunds of time deposits	1,443	5,430	
Payment for acquisition of tangible fixed assets	-2,564	-907	
Proceeds from sale of tangible fixed assets	575	1,476	
Payment for acquisition of goodwill	-1,027	-10	
Payment for acquisition of software	-256	-529	
Proceeds from sale of software	-	1	
Payment for acquisition of other intangible fixed assets	-0	-	
Proceeds from sale of other intangible fixed assets	-	71	
Payment for acquisition of long-term prepaid expense	-55	-29	
Proceeds from sale of long-term prepaid expense	-	6	
Payment for acquisition of investment securities	-1,036	-1,895	
Proceeds from sale of investment securities	169	70	
Payment for acquisition of stocks in subsidiaries accompanied by changes in consolidation (Note 2)	-	-1,130	
Payment for acquisition of stocks in subsidiaries	-647	-81	
Proceeds from distribution of residual assets due to liquidation of subsidiary	44	-	
Payment for acquisition of stocks in affiliates	-30	-	
Payment for acquisition of other investments	-2,464	-779	
Proceeds from sale of other investments	416	2,479	
Proceeds from transfer of goodwill	-	3	
Payment for extension of loans	-333	-294	
Proceeds from collection of loans	347	84	
Net cash provided by (used in) investing activities	-10,278	3,593	13,871

(Millions of yen)

Fiscal year / Account	Fiscal 2005 (From April 1, 2004 To March 31, 2005)	Fiscal 2006 (From April 1, 2005 To March 31, 2006)	Increase (Decrease)
III Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	4,523	-1,693	
Proceeds from long-term debt	400	250	
Payment for repayment of long-term debt	-3,358	-1,588	
Proceeds from bond issue	10,000	-	
Proceeds from share issue	-	6,792	
Proceeds from minority shareholders' payment	-	143	
Payment for acquisition of own stock	-2,369	-912	
Payment of cash dividends	-465	-465	
Payment of cash dividends to minority shareholders	-13	-11	
Net cash provided by financing activities	8,715	2,514	-6,201
IV Increase in cash and cash equivalents	5,609	10,721	5,112
V Cash and cash equivalents at beginning of year	16,196	22,880	6,684
VI Increase in cash and cash equivalents due to business mergers	223	-	-223
VII Increase in cash and cash equivalents due to stock swapping	985	522	-463
VIII Decrease in cash and cash equivalents due to deconsolidation	-134	-	134
IX Cash and cash equivalents at the end of the year (Note 1)	22,880	34,124	11,244

Basis of Presenting Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of Consolidated Subsidiaries: 12

The identities of primary consolidated subsidiaries are provided in “State of Associated Companies.”

Kinoshita Yakuhin is a consolidated subsidiary as a result of the Company’s acquisition of its stock by means of stock-swapping during the fiscal year under review.

Koyo is a consolidated subsidiary as a result of 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 Subsidiaries

Primary non-consolidated subsidiaries: Medical Trust

(Reason for Exclusion from Consolidation)

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, so they are not consolidated.

2. Application of Equity Method

(1) Number of Affiliates Accounted for on Equity Method: 2

Names of Primary Affiliates: Sakai Yakuhin

Fisher Scientific Japan

(2) State of Non-consolidated Subsidiaries and Affiliates Not Accounted for on Equity Method

Primary Non-consolidated Subsidiaries: Medical Trust

Primary Affiliates: TRIAD JAPAN

Non-consolidated subsidiaries and affiliates not accounted for on the equity method are not accounted for on the equity method, because they do not individually have any significant effect on the Company’s consolidated net income or retained earnings and also because they are insignificant as a whole.

Companies accounted for on the equity method, whose date of accounts settlement differs from the Company’s date of consolidated accounts settlement, provide their financial statements prepared according to their fiscal year, for consolidation purposes.

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.

4. Accounting Principles

(1) Basis and Method of Valuation of Significant Assets

① Marketable Securities

Held-to-maturity debt securities:................. Stated at cost amortized on a straight-line basis.

Available-for-sale securities

With available fair market value:........... Stated at fair market value based principally on the market price as of the balance sheet date (unrealized gains and losses are included as a separate component of shareholders’ equity; the cost of securities sold is 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 8 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.

(2) Method of Depreciation of Significant Depreciable Assets

① Property, plant 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 life of major asset categories is as follows:

Buildings and structures: 10 - 50 years
Vehicles and carries: 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).

③ Method of Accounting for Deferred Assets
New share issue expense: .... Charged entirely to income as disbursed.

(3) Principles for 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 for certain receivables, including those threatening to suffer loss, the recoverability of individual accounts is investigated and the uncollectible amount is estimated.

② Accrued Bonuses
The estimated amount payable is provided to fund bonus payments to eligible employees and to directors, who are also employees of the Group.

③ Reserve for Sales Returns
The estimated amount of losses on future sales returns is provided to cover possible losses on sales returns.

④ 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 contribution pension program, effective with the fiscal year under review (refer to Additional Information). In connection with this, they adopted a transitional program to pay retirement-age employees active on the payroll at the time of the switchover lump-sum severance allowances to the amount of a portion of all benefits attributable to past service, upon their retirement. This involved the 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, so they are recognized as expenses in the fiscal year they accrue.

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) that is within the average remaining service period of eligible employees at the time they accrue during each fiscal year, and recognized in 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) shifted all tax-qualified retirement annuity plans to a defined contribution pension program, effective with 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 contribution 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 income before income taxes by 188 million yen.

⑤ 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 [reference] amount payable at the end of [each] fiscal year pursuant to the provisions of internal bylaws, to fund the payment of retirement benefits to eligible directors and corporate auditors upon retirement.

(4) Method of Accounting for Significant Lease Transactions
Finance leases other than those in which the ownership of the leased property is deemed to be transferred to the lessee are accounted for in the same manner as standard lease transactions.

(5) 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.

5. Valuation of Assets and Liabilities of Consolidated Subsidiaries
All assets and liabilities of consolidated subsidiaries are stated at fair market value.

6. Amortization of Consolidated Adjustments
   Consolidation adjustments are amortized over a period of five or ten years in equal amounts.

7. 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 which is under review for those Consolidated Statements of Retained Earnings.

8. Definition of Cash in Consolidated Statements of Cash Flows
   The cash comprises cash on hand, cash deposits withdrawable on demand, and short-term investments that are readily convertible into cash, carry only a minimum risk of changing in value, and become due within three months following the day of acquisition.

Changes in Basis of Presenting Consolidated Financial Statements

(Accounting Standards for Impairment of Fixed Assets)

Effective with 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 604 million yen.

The impacts on segmental information are described where they are 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.

Notes to Consolidated Financial Statements
(Notes to Consolidated Balance Sheets)

Fiscal 2005 (As of March 31,2005)

(Note 1) Accumulated depreciation of property, plant and equipment: 16,789 million yen

(Note 2) Investments in non-consolidated subsidiaries and affiliates:
Investment securities 1,082 million yen

(Note 3) Assets pledged as collateral:

Classified assets pledged		Liabilities secured by collateral	
	Million yen		Million yen
Time deposits	416	Notes and accounts payable	18,222
Buildings	2,498		
Land	5,833		
Investment securities	887		
Buildings	1,134	Short-term loans payable and long-term debt (including current portion of long-term debt due within one year)	4,524
Land	2,175		
Investment securities	39		
Total	12,986	Total	22,746

(Note 4) Liabilities guaranteed

① Bank loans guaranteed

Wakaba	503 million yen
Alf	498 million yen
TRIAD JAPAN	446 million yen
Fisher Scientific Japan	156 million yen
Kanto Medical Service	95 million yen
Kensho	50 million yen
Medical Corporation Koyukai	47 million yen
Total	1,797 million yen

② Accounts payable guaranteed

Kensho	482 million yen

③ Leases guaranteed

Kensho	17 million yen

(Note 5) Number of shares issued by the Company and outstanding: 48,235,206 shares of common stock

(Note 6) Number of treasury stocks held by consolidated subsidiaries and equity-method affiliates: 1,667,962 shares of common stock

(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, net of "deferred tax assets due to revaluation."

Fiscal 2006 (As of March 31, 2006)

(Note 1) Accumulated depreciation of property, plant and equipment: 18,494 million yen

(Note 2) Investments in non-consolidated subsidiaries and affiliates:
Investment securities 1,213 million yen

(Note 3) Assets pledged as collateral:

Classified assets pledged		Liabilities secured by collateral	
	Million yen		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 4) Liabilities guaranteed

① Bank loans guaranteed

Wakaba	434 million yen
Alf	393 million yen
Fisher Scientific Japan	174 million yen
Kanto Medical Service & 2 other cases	120 million yen
Total	1,122 million yen

② Accounts payable guaranteed

Kensho	513 million yen
Tsubasa	222 million yen
Total	735 million yen

③ Leases guaranteed

Kensho	5 million yen

(Note 5) Number of shares issued by the Company and outstanding: 53,157,206 shares of common stock

(Note 6) Number of treasury stocks held by consolidated subsidiaries and equity-method affiliates: 1,097,155 shares of common stock

(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, net of "deferred tax assets due to revaluation."

Fiscal 2005 (As of March 31,2005)	Fiscal 2006 (As of March 31, 2006)
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 the end of the fiscal year: 1,887 million yen	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 the end of the fiscal year: 2,058 million yen
(Note 8) The Company has lending commitment agreements with 11 trading banks to facilitate the efficient procurement of working funds. Lending commitments 12,000 million yen Balance borrowed - million yen Total remainder 12,000 million yen	(Note 8) The Company has lending commitment agreements with 10 trading banks to facilitate the efficient procurement of working funds. Lending commitments 12,000 million yen Balance borrowed - million yen Total remainder 12,000 million yen

(Notes to Consolidated Statements of Income)

Fiscal 2005
(From April 1, 2004 To March 31, 2005)

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

Gain on sale of vehicles and carriers	1 million yen
Gain on sale of land	136 million yen
Total	138 million yen

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

Loss on retirement of buildings	76 million yen
Loss on retirement of vehicles and carriers	13 million yen
Loss on sale of buildings	20 million yen
Loss on sale of vehicles and carriers	3 million yen
Loss on sale of land	11 million yen
Total	125 million yen

(Note 3) ——————

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 Sales Office and 9 other sites	Real estate for business use	Land and buildings
Former Morioka Sales Office and 29 other sites	Real estate unused	

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

The Group recognized impairment losses of 138 million yen on the 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 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.

(Notes to Consolidated Statements of Cash Flows)

(Millions of yen)

Fiscal 2005 (From April 1, 2004 To March 31, 2005)	Fiscal 2006 (From April 1, 2005 To March 31, 2006)
(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, 2005) Cash on hand and on deposit 26,951 Time deposits maturing beyond three months of deposit -6,566 Short-term investments (investment securities) becoming due within three months of acquisition 2,495 Cash and cash equivalents 22,880	(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) 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
(2) ―――――	(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: • Koyo Current assets 14,247 Fixed assets 11,094 Consolidation adjustment -1,351 Current liabilities -14,472 Long-term liabilities -4,259 Minority interest -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
(3) Major components of assets and liabilities increased by transfers of operations Assets and liabilities increased by transfers of operations from Medical Japan, Tsuruhara Yoshii, and Kurihara Bentendo during fiscal year under review: Current assets 5,160 Fixed assets 1,065 Goodwill 1,565 Total assets 7,791 Current liabilities 8,657	(3) Major components of assets and liabilities reduced by transfers of operations Assets and liabilities reduced by transfer of operations from Koyo to Tsubasa during fiscal year under review: Current assets 897 Fixed assets 3 Total assets 901

(Millions of yen)

Fiscal 2005 (From April 1, 2004 To March 31, 2005)	Fiscal 2006 (From April 1, 2005 To March 31, 2006)
(4) Significant non-cash transactions ① Major components of assets and liabilities taken over as a result of merger Assets and liabilities taken over from Ryomo Chozai Group (Ryomo Chozai and 22 other companies), which merged with Ethos (consolidated subsidiary) during fiscal year under review: Current assets 1,313 Fixed assets 387 Total assets 1,701 Current liabilities 906 Long-term liabilities 229 Total liabilities 1,135	(4) Significant non-cash transactions ① ―――――
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 Yakushin during fiscal year under review are shown below. The stock swapping was responsible for an increase in capital surplus (other capital surplus) of 759 million yen. Current assets 10,338 Fixed assets 3,222 Total assets 13,561 Current liabilities 10,447 Long-term liabilities 1,695 Total liabilities 12,143 Assets and liabilities acquired as a result of swapping stocks with Godo Toho during fiscal year under review are shown below. The stock swapping was responsible for an increase in capital surplus (legal capital surplus) of 1,145 million yen. Current assets 6,628 Fixed assets 1,400 Total assets 8,029 Current liabilities 6,076 Long-term liabilities 994 Total liabilities 7,071	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 Kinoshita Yakuhin during 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. Current assets 4,434 Fixed assets 994 Total assets 5,428 Current liabilities 3,467 Long-term liabilities 649 Total liabilities 4,116

① Notes to Leases Transactions

Fiscal 2005 (From April 1, 2004 To March 31, 2005)

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	Presumed accumulated depreciation	Presumed balance at the end of the year
	Million yen	Million yen	Million yen
Vehicles and carriers	21	10	11
Equipment and fixtures	5,437	2,869	2,568
Intangible fixed assets (software)	5	3	1
Total	5,464	2,883	2,581

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

Due within 1 year	926 million yen
Due beyond 1 year	1,692 million yen
Total	2,619 million yen

(3) Lease payments, presumed depreciation, and presumed interest expense:

Lease payment	1,155 million yen
Presumed depreciation	1,100 million yen
Presumed interest expense	52 million yen

(4) Method of calculating presumed depreciation
Calculated on a straight-line basis assuming the lease period to be the useful life and assuming the residual value to diminish 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, which is allocated to each of the years on the interest method.

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, accumulated impairment loss, and balance at the end of the fiscal year:

	Presumed acquisition cost	Presumed accumulated depreciation	Presumed balance at the end of the year
	Million yen	Million yen	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:

Due within 1 year	847 million yen
Due beyond 1 year	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
Same as in left column.

(5) Method of calculating presumed interest expense
Same as in left column.

(Impairment loss)
No impairment loss attributable to lease assets was recognized.

② Notes to Marketable Securities

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

(Millions of yen)

	Type	Fiscal 2005 (As of March 31, 2005)			Fiscal 2006 (As of March 31, 2006)		
		Consolidated balance sheet value	Market value	Difference	Consolidated balance sheet value	Market value	Difference
Market value exceeds consolidated balance sheet value	(1) Government and municipal bonds	-	-	-	-	-	-
	(2) Corporate bonds	-	-	-	-	-	-
	(3) Others	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-
Market value does not exceed consolidated balance sheet value	(1) Government and municipal bonds	-	-	-	-	-	-
	(2) Corporate bonds	300	278	-21	300	243	-56
	(3) Others	-	-	-	-	-	-
	Subtotal	300	278	-21	300	243	-56
Total		300	278	-21	300	243	-56

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

(Millions of yen)

	Type	Fiscal 2005 (As of March 31, 2005)			Fiscal 2006 (As of March 31, 2006)		
		Acquisition cost	Consolidated balance sheet value	Difference	Acquisition cost	Consolidated balance sheet value	Difference
Consolidated balance sheet value exceeds acquisition cost	(1) Stocks	3,502	7,503	4,001	4,927	12,900	7,972
	(2) Bonds						
	Government and municipal bonds	-	-	-	-	-	-
	Corporate bonds	-	-	-	-	-	-
	Others	-	-	-	-	-	-
	(3) Others	5	6	0	12	16	3
	Subtotal	3,508	7,509	4,001	4,940	12,916	7,976
Consolidated balance sheet value does not exceed acquisition cost	(1) Stocks	192	174	-18	988	846	-141
	(2) Bonds						
	Government and municipal bonds	-	-	-	-	-	-
	Corporate bonds	-	-	-	-	-	-
	Others	-	-	-	-	-	-
	(3) Others	6	6	-0	-	-	-
	Subtotal	199	180	-19	988	846	-141
Total		3,707	7,690	3,982	5,928	13,763	7,834

(Notes)
1. Acquisition costs at the end of fiscal 2005 are adjusted for impairments of 0 million yen.
2. Available-for-sales securities with available fair market values at the end of fiscal 2006 are not adjusted for impairments.
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. Available-for-sale securities unloaded during fiscal 2005 and during fiscal 2006

(Millions of yen)

Fiscal 2005 (From April 1, 2004 to March 31, 2005)			Fiscal 2006 (From April 1, 2005 to March 31, 2006)		
Amount sold	Total gains on sales	Total losses on sales	Amount sold	Total gains on sales	Total losses on sales
45	20	-	62	25	0

4. Major securities instruments with no available fair market value

(Millions of yen)

	Fiscal 2005 (As of March 31, 2005)	Fiscal 2005 (As of March 31, 2006)
	Consolidated balance sheet value	Consolidated balance sheet value
Available-for-sale securities		
Unlisted stocks	4,718	10,945
Money trusts	-	2,000
Commercial papers	2,000	-
Money management funds	495	495

(Notes)
1. Stocks with no available fair market value at the end of fiscal 2005 are adjusted for impairments of 0 million yen.
2. Stocks with no available fair market value at the end of fiscal 2006 are adjusted for impairments of 109 million yen.
3. Unless evidence is found 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 the application of an impairment adjustment.

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

(Millions of yen)

	Fiscal 2005 (As of March 31, 2005)				Fiscal 2006 (As of March 31, 2006)			
	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) Bonds								
Government and municipal bonds	-	1	-	-	1	-	-	-
Corporate bonds	-	-	-	300	-	-	-	300
Others	-	-	-	-	-	-	-	-
(2) Others	-	-	-	-	-	-	-	-
Total	-	1	-	300	1	-	-	300

③ Notes to Derivatives Transactions

Fiscal 2005 (from April 1, 2004 to March 31, 2005)

1. Status of Derivates 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 risks of fluctuations in borrowing interest rates, which 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

Hedged assets: Borrowings

(4) Transactions Risk Details

Interest swap transactions carry the risks of market interest rate fluctuations.

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 them.

(5) Transactions Risk Management Mechanism

Officers in charge of cash management are responsible for executing and administering derivatives transactions, and their execution thereof is subject to prior approval, pursuant to bylaws regulating functional authorities. Details of transactions are reported by the director in charge thereof as frequently as appropriate to the Board of Directors for confirmation.

2. Market Values of Transactions

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

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

1. Status of Derivates 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.

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2. Market Values of Transactions

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

④ Notes to Retirement Benefits

(Millions of yen)

<table>
<tr><th>Fiscal 2005 (As of March 31, 2005)</th><th>Fiscal 2006 (As of March 31, 2006)</th></tr>
<tr><td>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.</td><td>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 contribution arrangements that comprise a defined contribution 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 contribution pension program.</td></tr>
<tr><td>2. Retirement benefit liability (As of March 31, 2005)
a. Retirement benefit liability -15,818
b. Pension plan assets 10,373
c. Unfunded retirement benefit liability (a + b) -5,445
d. Unrecognized difference due to change in accounting standards -
e. Unrecognized actuarial difference 1,627
f. Unrecognized past service cost (reduced liability) -
g. Consolidated Balance Sheet net total (c + d + e + f) -3,817
h. Prepaid pension expenses -
i. Accrued retirement benefits (g - h) -3,817
(Note) Some consolidated subsidiaries adopt the simplified method of computing retirement benefit liabilities.</td><td>2. Retirement benefit liability (As of March 31, 2006)
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
(Notes) 1. Some consolidated subsidiaries adopt the 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 contribution pension program. In connection with this, they adopted a transitional program to pay retirement-age employees active on the payroll at the time of the switchover lump-sum severance allowances to the amount of a portion of all benefits attributable to past service, upon their retirement. This involved the 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 contribution 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 contribution 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."</td></tr>
</table>

(Millions of yen)

Fiscal 2005 (As of March 31, 2005)	Fiscal 2006 (As of March 31, 2006)
3. Retirement benefit expenses (From April 1, 2004 to March 31, 2005) a. Service cost 1,466 b. Interest cost 256 c. Expected rate of return (subtractive) -122 d. Amortization of difference due to change in accounting standards - e. Amortization of actuarial difference 276 f. Amortization of past service cost 128 g. Retirement benefit expenses (a + b + c + d + e + f) 2,006 (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 676 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, 2005 to March 31, 2006) 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 contribution pension program 188 h. Extraordinary premium retirement allowance 585 i. Contributions to defined contribution 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."
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: 1.5%, 2.0% d. Number of years for recognition of past service cost The past service cost accrued by a consolidated subsidiary (Yakushin) during the fiscal year under review was recognized in expense in full. e. Number of years for recognition of actuarial difference: 7 years or 10 years (Actuarial differences are prorated on a straight-line basis over a certain number of years (7 years) that is within the average remaining service period of eligible employees at the time they accrue during each fiscal year, and recognized in expense over the fiscal years following that accrual.) g. Number of years for recognition of difference due to change in accounting standards The difference is recognized entirely in expense in the first fiscal year that the change is applied.	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 (7 years) that is within the average remaining service period of eligible employees at the time they accrue during each fiscal year, and recognized in 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, which makes 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: 17,968 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, which makes 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 Notes to Tax Effect Accounting

Fiscal 2005 (As of March 31, 2005)

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

Deferred tax assets (current assets)	
Allowance for doubtful receivables	22
Business office tax payable	27
Enterprise tax payable	47
Accrued bonuses	824
Other	312
Total	1,235
Valuation reserve	-102
Subtotal	1,132
Deferred tax assets (fixed assets)	
Allowance for doubtful receivables	246
Investment securities	555
Accrued retirement benefits for employees	1,410
Accrued retirement benefits for directors and corporate auditors	287
Debt guarantee loss reserve	10
Other	213
Total	2,723
Valuation reserve	-1,218
Subtotal	1,505
Total deferred tax assets	2,638
Deferred tax liabilities (long-term liabilities)	
Deffered capital gains on land	-717
Land and other revaluation difference due to capital consolidation of subsidiaries	-2,324
Revaluation difference on available-for-sale securities	-1,620
Total deferred tax liabilities	-4,661
Net deferred tax liabilities	-2,023

(2) Major components of the 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 to be included in expense permanently	3.2
Dividend income and other items not to be included in income permanently	-0.6
Increase in valuation reserve	
Amortization of consolidation	2.8
adjustment	-5.9
Per-capita inhabitant tax	1.8
Special income tax deduction	-2.1
Year-end recognition of deferred tax assets of newly consolidated subsidiary	-1.2
Other	-1.4
Tax and other burden rate after application of tax effect accounting	37.1

Fiscal 2006 (As of March 31, 2006)

(1) Major components of deferred tax assets and deferred tax liabilities accrued (Millions of 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
Subtotal	4,562
Valuation reserve	-3,150
Subtotal	1,411
Total deferred tax assets	2,608
Deferred tax liabilities (long-term liabilities)	
Deffered 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 the 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 to be included in expense permanently	2.9
Dividend income and other items not to be included in income permanently	-0.5
Increase in valuation reserve	
Amortization of consolidation	10.3
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

⑥ Segmental Information

[Segmental Information according to Types of Business]

Fiscal 2005 (from April 1, 2004 to March 31, 2005)

(Millions of yen)

	Pharmaceutical	Information Processing	CRO and SMO	Total	Eliminations or corporate	Consolidated
I. Net sales and operating loss/income Net sales (1) Net sales to external customers	602,032	127	1,426	603,586	-	603,586
(2) Inter-segment internal net sales or transfers	118	1,070	-	1,188	(1,188)	-
Total	602,150	1,197	1,426	604,774	(1,188)	603,586
Operating expense	598,113	1,132	1,151	600,396	(226)	600,170
Operating income	4,037	65	274	4,377	(962)	3,415
II. Assets, depreciation and capital expenditure Assets	306,771	480	721	307,973	15,146	323,120
Depreciation	1,763	-	9	1,772	(5)	1,767
Capital expenditure	4,141	146	13	4,301	(68)	4,232

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

(Millions of yen)

	Pharmaceutical	Information Processing	CRO and SMO	Total	Eliminations or corporate	Consolidated
I. Net sales and operating loss/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, impairment loss and capital expenditure Assets	342,309	347	1,550	344,207	14,209	358,416
Depreciation	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

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

(2) Information processing segment: ..... Information processing and development and sales of computer applied technology

(3) SMO operations segment: .... SMO and CRO services

(Renaming of business segment)

Tokyo Research Center of Clinical Pharmacology, which constituted the "CRO and SMO" segment in the preceding fiscal year, has separated and placed outside the organization a clinical research facility that was included in the segment. As a result of this, this business segment has been renamed to "SMO," effective within the fiscal year under review.

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

(Millions of yen)

	Fiscal 2005	Fiscal 2006	Main descriptions
Operating expenses non-allocatable, except in eliminations or corporate	906	812	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	15,486	14,445	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.

[Segmental Information according to Geographical Locations]

Fiscal 2005 (from April 1, 2004 to March 31, 2005)

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

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.

[Overseas Sales]

Fiscal 2005 (from April 1, 2004 to March 31, 2005)

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

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

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

⑦ Transactions with Related Parties

Fiscal 2005 (from April 1, 2004 to March 31, 2005)

(1) Directors, Corporate Auditors, Individual Shareholders (Millions of yen)

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	Hidenori Kudo	-	-	Toho Pharmaceutical's director Representative director of Shouei	(Under control) Direct ownership 0.0	-	-	Sales of pharmaceuticals to Shouei (Note 1)	20,432	Trade receivables	12,229
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	-	-

(Notes) 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 (Millions of yen)

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	(Ownership) Direct 35.0	Three directors shared	Supplied by Toho Pharmaceutical with pharmaceuticals	Sales transactions (Note)	9,480	Trade receivables	4,167

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

(1) Directors, Corporate Auditors, Individual Shareholders (Millions of yen)

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 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	-	-

Notes) 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 (Millions of yen)

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

(Significant Subsequent Events)

The Company and Tsuruhara Yoshii swapped their own stocks with each other on April 1, 2006, on the date and 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.

1. The swapping of stocks is outlined below:
   (1) Description of swapping of stocks
   The Company and Tsuruhara Yoshii swapped stocks for the purpose of making the former the latter's sole parent and making the latter the former's wholly owned subsidiary.
   (2) Stock for allocation and delivery for swapping of stocks and its allocation
   For the purpose of the swapping of stocks, the Company issued 5,841,470 new shares of its common stock, and allocated and delivered them to the shareholders recorded on Tsuruhara Yoshii's shareholders register at the close of business on the date preceding the date of swapping of stocks. 0.580 share of the Company's common stock was swapped with each share of Tsuruhara Yoshii's common stock held by those shareholders.
   (3) Increase in capital stock and capital surplus
   ① Capital stock
   Capital stock did not increase because of stock swapping.
   ② Capital surplus
   Capital surplus increased by the amount obtainable by multiplying Tsuruhara Yoshii's net assets existing on the date of swapping of stocks by the ratio to Tsuruhara Yoshii's number of shares outstanding of Tsuruhara Yoshii's shares transferred to the Company as a result of the swapping.

2. Tsuruhara Yoshii's primary business operations, size of operations
   (1) Primary business operations
   Wholesaling of pharmaceuticals, etc.
   (2) Net sales and income during the 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 the end of the most recent fiscal year (as of March 31, 2006)

Assets:	20,545 million yen
Liabilities:	14,173 million yen
Shareholders' equity:	522 million yen
Number of employees:	439

5. State of Purchasing and Selling

(1) Historical purchases

Business segment	Fiscal 2005 (From April 1, 2004 To March 31, 2005)		Fiscal 2006 (From April 1, 2005 To March 31, 2006)		Increase (Decrease)	
	Amount (million yen)	Share (%)	Amount (million yen)	Share (%)	Amount (million yen)	Rate (%)
Pharmaceutical	562,872	100.0	655,938	100.0	93,066	16.5
Information processing	49	0.0	54	0.0	5	10.6
Total	562,921	100.0	655,992	100.0	93,071	16.5

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

(2) Historical sales

Business segment	Fiscal 2005 (From April 1, 2004 To March 31, 2005)		Fiscal 2006 (From April 1, 2005 To March 31, 2006)		Increase (Decrease)	
	Amount (million yen)	Share (%)	Amount (million yen))	Share (%)	Amount (million yen)	Rate (%)
Pharmaceutical	602,032	99.8	705,283	99.8	103,250	17.2
Information processing	127	0.0	116	0.0	-10	-8.2
SMO	1,426	0.2	1,088	0.2	-337	-23.7
Total	603,586	100.0	706,488	100.0	102,902	17.0

(Notes) 1. Inter-segment transactions are stated in net terms for elimination.
2. During fiscal 2005 and during fiscal 2006, since no trading relationship accounted for 10/100th or higher of the Group’s total sales results, the disclosure of “Historical Sales by Major Trading Relationships” was not applicable.