# Summary of Consolidated Financial Results of Fiscal 2008

May 9, 2008

Name of Listed Company: Toho Pharmaceutical Co., Ltd. Listed: Tokyo Stock Exchange
Securities Code Number: 8129 URL: http://www.tohoyk.co.jp
Corporate Representative / Title Norio Hamada / President and CEO
Contact Representative / Title Toru Sasaki / General Manager of Finance and Accounting TEL: +81-3-4330-3735
Planned Date of General Meeting of Shareholders: June 27, 2008 Planned Date of Dividends Payment: June 9, 2008
Planned Date of Filing of Annual Securities: June 27, 2008

(Amounts are truncated to the nearest million yen.)

1. Consolidated Results of Operations for the March 2008 (from April 1, 2007 to March 31, 2008)

(1) Consolidated Results of Operations

Percentages indicate the rate of change compared with the preceding fiscal year.

| | Net sales | | Operating Income | | Ordinary Income | | Net Income | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal 2008 | 805,419 | (4.1) | 10,269 | (10.0) | 13,901 | (6.1) | 8,381 | (16.1) |
| Fiscal 2007 | 773,436 | (9.5) | 9,335 | (52.9) | 13,104 | (47.4) | 7,218 | (99.8) |

| | Current Net Income per share | Current Net Income per share - Diluted | Return on Equity | Ordinary Income/ Total Assets | Operating Income/ Net Sales |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Fiscal 2008 | 148.23 | 135.55 | 11.3 | 3.5 | 1.3 |
| Fiscal 2007 | 125.82 | 115.10 | 11.3 | 3.5 | 1.2 |

(reference) Equity in earnings (losses) of equity-method investees : Fiscal 2008 : 99 million yen ; Fiscal 2007 : 105 million yen

(2) Consolidated Financial Position

| | Total Assets | Shareholder's Equity | Shareholder's Equity | Shareholder's Equity per Share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| Fiscal 2008 | 387,273 | 80,772 | 19.9 | 1,351.96 |
| Fiscal 2007 | 396,447 | 76,790 | 17.9 | 1,247.22 |

(Reference) Shareholder's equity: Fiscal 2008 : 77,237 million yen ; Fiscal 2007 : 71,048 million yen

(3) Consolidated Cash Position

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of the term-end |
|---|---|---|---|---|
| | Million yen | Million yen | Million yen | Million yen |
| Fiscal 2008 | -2,996 | -10,697 | -3,883 | 15,851 |
| Fiscal 2007 | 24,273 | -6,182 | -9,678 | 43,429 |

2. Historical Payment of Dividends

| | Annual Cash Dividend per Share | | | Total Dividends (Year) | Payout Ratio (Consolidated) | Dividends per Net Assets (Consolidated) |
|---|---|---|---|---|---|---|
| | Midterm | Yearend | Annual | | | |
| | Yen | Yen | Yen | Million yen | % | % |
| Fiscal 2007 | 6.00 | 6.00 | 12.00 | 683 | 9.5 | 1.0 |
| Fiscal 2008 | 8.00 | 8.00 | 16.00 | 914 | 10.8 | 1.2 |
| Fiscal 2009 (Projected) | 10.00 | 10.00 | 20.00 | — | 13.7 | — |

3. Consolidated Projected Results of Operations during Fiscal Year 2009 (from April 1, 2008 to March 31, 2009)

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

| | Net Sales | | Operating Income | | Ordinary Income | | Current Net Income | | Current Net Income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Midterm | 410,000 | (4.8) | 4,900 | (4.9) | 6,800 | (2.6) | 4,000 | (1.6) | 68.76 |
| Yearend | 834,000 | (3.5) | 11,200 | (9.1) | 14,700 | (5.7) | 8,500 | (1.4) | 145.86 |

4. Others

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

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

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

② Changes other than ① N.A.

(Note) For details, refer to “Basis of Presenting Consolidated Financial Statements 4. Accounting Principles (2) Method of Depreciation of Significant Depreciable Assets” on page 28.

(3) Number of shares outstanding (Common stock)

| | | | |
|---|---|---|---|
| ① | Number of shares outstanding at end of fiscal year (Including common stock for treasury ) | Fiscal 2008 : 59,219,061 shares | Fiscal 2007 : 59,219,061 shares |
| ② | The end of the term number of treasury stocks | Fiscal 2008 : 2,089059 shares | Fiscal 2007 : 2,253,366 shares |

(Note) For the number of shares used as the basis for calculating current net income per share (consolidated), please refer to “Information per Share” on page 63.

(reference) Summary of Non-consolidated Financial Statements

1. Non-Consolidated Results of Operations for the March 2008 (from April 1, 2007 to March 31, 2008)

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

| | Net Sales | | Operating Income | | Ordinary Income | | Current Net Income | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Fiscal 2008 | 774,734 | (6.2) | 5,780 | (14.0) | 8,119 | (13.1) | 4,755 | (20.9) |
| Fiscal 2007 | 729,380 | (7.3) | 5,070 | (53.7) | 7,181 | (47.8) | 3,932 | (78.1) |

| | Current Net Income per Share | Current Net Income per Share - Diluted |
|---|---|---|
| | yen | yen |
| Fiscal 2008 | 84.09 | 76.90 |
| Fiscal 2007 | 68.51 | 62.68 |

(2) Non-consolidated Financial Position

| | Total Asset | Net Assets | Shareholder’s Equity Ratio | Book-value Per Share |
|---|---|---|---|---|
| | Million yen | Million yen | % | yen |
| Fiscal 2008 | 359,003 | 65,690 | 18.3 | 1,148.65 |
| Fiscal 2007 | 370,235 | 62,396 | 16.8 | 1,094.72 |

(reference) Shareholder’s Equity Fiscal 2008 : 65,635 million yen Fiscal 2007 : 62,374 million yen

2. Non-consolidated Projected Results of Operations during Fiscal Year 2009 (from April 1, 2008 to March 31, 2009)

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

| | Net Sales | | Operating Income | | Ordinary Income | | Current Net Income | | Current Net Income per Share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | yen |
| Midterm | 387,500 | (3.0) | 2,600 | (6.0) | 3,900 | (2.8) | 2,300 | (1.5) | 39.53 |
| Yearend | 790,000 | (2.0) | 6,000 | (3.8) | 8,300 | (2.2) | 4,900 | (3.0) | 84.07 |

* Explanation of Appropriate Use of Performance Projections and Other Items Requiring Special Description

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

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

The projected net income per share has been corrected in association of the inclusion of 1,192,635 shares (substitute treasury stock) that are allocated through stock swap with the Zenkaido Pharmacy Group on May 1, 2008.

## 1. Management Result

### (1) Analysis Concerning Management Result

(Management Result fore Fiscal 2008)

In the fiscal year under review, the Japanese economy continued to recover moderately, backed by an improvement of corporate earnings and an increase in private capital investment. However, there was a slowdown and uncertainty caused by the U.S. subprime mortgage crisis and rises in the prices of crude oil and other raw materials. The domestic ethical pharmaceutical market was affected by government measures to curb medical care costs, including the promotion of the use of generic products and the introduction of diagnosis procedure combination (DPC). However, sales of drugs associated with lifestyle-related diseases grew robustly as people became more health conscious, as typified by growing awareness of the metabolic syndrome, and demographic aging accelerated. As a result, the industry growth rate seems to be around 3.4% (according to a preliminary report by Crecon Research & Consulting Inc.) in FY2008.

Under such circumstances, the Toho Pharmaceutical Group entered the second year of its Medium-Term Management Plan for "The Third Foundation – Innovation and Creation 07 – 09." The key policies we prioritize in the Plan are to normalize business practices , to make the business more efficient, to develop high value-added business operations, and to revitalize our organizational and human resources. To attain these goals the Group consistently implemented strategies according to specific action plans and succeeded in achieving results outpacing initial projections.

Price negotiations with customers were more difficult than in usual years and took longer than usual, partly because the purchasing power of customers was boosted because of the increasing size of dispensing pharmacy chains and medical institutions' joint purchasing of pharmaceuticals, and partly because the business environment surrounding medical institutions became more difficult. However, net sales amounted to 805,419 million yen (up 4.1% year on year), thanks to the establishment of the reputation of our proposal-based marketing using ENIF and other proprietary customer support systems, an increase in supply to Kyoso Mirai Group companies, and a rise in the number of consolidated subsidiaries.

The Company bolstered its non-price competitiveness through its proposal-based marketing approach, centered on the normalization of business practices and the development of high value-added operations. The Group also negotiated prices with an emphasis on profitability, the strict application of the Price Lock System to ensure appropriate profit margins, and reviews of unprofitable customers and items. Consequently, the Group achieved gross income of 65,933 million (up 3.6%), which accounted for 8.2% of net sales, and a gross profit margin ratio on a par with the result of the preceding fiscal year.

SG&A expenses increased 1,364 million yen from the year-ago level, to 55,658 million (rising 2.5%), because of an increase in the number of consolidated subsidiaries and the full-scale operation of the Tokyo distribution center (TBC Tokyo). However, with the continued integration of the cash management and general administrative operations of consolidated subsidiaries, the ratio of SG&A expenses to net sales was 6.9% (down 0.1 percentage points), almost as planned. The SG&A-to-net sales ratio in the pharmaceutical wholesaling operations was 6.4%, a fall of 0.1 percentage point from the year-ago level.

The Group posted non-operating income of 4,448 million yen and non-operating expenses of 816 million yen.

In extraordinary gains, the Group posted gains on sales of fixed assets of 255 million yen primarily from the sale of the land of Omori Branch and a gain of 259 million yen due to the switch by consolidated subsidiaries to defined contribution pension programs. The Group also posted a loss on disposal of fixed assets of 312 million yen and an impairment loss of 339 million yen in extraordinary losses.

In the current consolidated fiscal year, net income consequently totaled 805,419 million yen (up 4.1% from the corresponding period last year), operating income totaled 10,269 million yen (up 10.0% from the corresponding period last year), ordinary income totaled 13,901 million yen (up 6.1% from the corresponding period last year), and current net income totaled 8,381 million yen (up 16.1% from the corresponding period last year).

(Review of Operations by Business Segment)
In pharmaceutical wholesaling operations, net sales amounted to 794,755 million yen (up 4.0% year-on-year) and operating income amounted to 10,117 million yen (up 4.0% year-on-year). During the fiscal year under review, on April 1, 2007 a corporate merger was carried out between Tsuruhara Yoshii, the Company's wholly owned subsidiary which traded across the entire Kyushu region (excluding Okinawa Prefecture), and Yakushin (headquartered in Fukuoka), another wholly owned subsidiary which traded primarily in the prefectures of Fukuoka and Nagasaki. The two companies made a new start by forming Kyushu Toho with a view to making efficient use of their business resources and reinforcing their marketing and sales activities in the Kyushu region.
In addition, the Company made Mori Pharmaceutical, which mainly trades in Miyazaki Prefecture, a wholly owned subsidiary through the acquisition of shares on January 1, 2008. The Company also made Honma Toho and Koyo wholly owned subsidiaries through a stock swap on February 1.

In dispensing pharmacy operations, solid progress was reported as new outlets opened last fiscal year showed steady growth, while established branches stepped up efforts to generate technical fees. Chuo Medical (headquartered in Niigata), whose primary trading area is Niigata Prefecture, was made a wholly owned subsidiary of Ethos on July 31, 2007. As a result of these, net sales amounted to 15,574 million yen (up 27.2% year-on-year) and operating income reached 976 million yen (up 119.3% year-on-year)

In information processing operations, fees were reviewed in the fiscal year under review. Net sales were 915 million yen (down 5.8%), and operating expenses fell 45 million yen. Operating income was 42 million (declining 20.7%).

In CRO and SMO operations, the Group promoted a shift to Phase I clinical testing, which has the potential to generate stable revenue in the fiscal year under review. As a consequence, net sales were 699 million yen (down 27.2%), and net operating loss 120 million yen.

(Projections for the Next Fiscal Year)
The growth rate in the ethical pharmaceutical industry, where the Company operates, is expected to rise 2.3% year on year (according to Crecon Research & Consulting Inc.), partly as a result of the more widespread introduction of government measures to curb medical care costs, including the promotion of the use of generic products and the introduction of diagnosis procedure combination (DPC). Although the business environment does not allow for optimism, we expect to post net sales of 834,000 million yen (up 3.5% year on year), operating income of 11,200 million yen (rising 9.1%), ordinary income of 14,700 million yen (increasing 5.7%), and net income of 8,500 million yen (climbing 1.4%) in the next fiscal year (ending March 31, 2009).

## (2) Analysis Concerning Financial Position

### ① State of assets, liabilities, and net assets

#### (i) Asset

Current assets totaled 293,424 million yen, down 5.0% from the preceding consolidated fiscal year, mainly due to an increase of 26,079 million yen in cash on hand and on deposit, and a decrease of 1,498 million yen in Marketable securities.

Fixed assets rose to 93,849 million yen, up 7.2% year on year, primarily reflecting the acquisition of Chuoh Medical and Mori Pharmaceutical in addition to an increase of 2,282 million yen in goodwill and a rise of 5,873 million yen in shares in affiliated companies.

As a result, total assets totaled 387,273 million yen, down 3.3% from the preceding consolidated fiscal year.

#### (ii) Liability

Current liability totaled 277,898 million yen, down 3.4% from the preceding consolidated fiscal year mainly due to an decrease of 10,015 million yen in notes and accounts payable.

As a result, total liabilities totaled 306,500 million yen, down 4.1% from the preceding consolidated fiscal year.

#### (iii) Net assets

Net assets totaled 80,772 million yen, up 5.2% from the preceding consolidated fiscal year mainly due to an increase of 583 million yen in capital surplus and 7,467 million yen in retained earnings.

The increase in capital surplus was mainly due to the stock swap with Honma Toho and Koyo, and the increase in retained earnings primarily came from a significant increase in current net income.

Net assets per share totaled1,351.96yen, up 104.74 yen from the preceding consolidated fiscal year.

Shareholders' equity ratio for this consolidated fiscal year increased to 19.9% from the 17.9% recorded in the preceding consolidated fiscal year.

### ② Cash Position

Cash and cash equivalents (hereinafter referred to as "cash") during this consolidated fiscal year decreased by 27,577 million yen from the end of the preceding consolidated fiscal year. As a result, the balance at the end of this consolidated fiscal year totaled 15,851 million yen. The following describes the three categories of consolidated cash positions during this consolidated fiscal year, as well as the factors responsible.

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

Operating activities generated a net cash decrease of 12,996 million yen (an decrease of 37,269 million yen year-on-year). This primarily reflected an increase in sales receivable of 10,035 million yen, a decrease in purchases payable of 11,328 million yen, and income tax and other payments of 5,389 million yen. Meanwhile, income before tax and other adjustments contributed 13,757 million yen.

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

Investment activities generated a net cash decrease of 12,996 million yen (a decrease of 37,269 million yen year-on-year).

This primarily reflected payments of 2,065 million yen for acquiring tangible fixed assets, payments of 2,295 million yen for acquiring investment securities, and payments of 7,211 million yen for acquiring stock in associated companies.

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

Investment activities generated a net cash decrease of 3,883 million yen (an increase of 5,795 million yen year-on-year). This primarily reflected payments of 1,901 million yen for repurchasing stock in the Company and cash dividend payments of 789 million yen, despite a net increase in short-term loans payable of 317 million yen.

(Reference) Trends in key indicators of cash flows

| | Fiscal 2004 | Fiscal 2005 | Fiscal 2006 | Fiscal 2007 | Fiscal 2008 |
|---|---|---|---|---|---|
| Shareholder's Equity Ratio (%) | 17.0 | 14.8 | 15.9 | 17.9 | 19.9 |
| Shareholder's Equity Ratio (%) at Market Value | 25.0 | 17.8 | 25.2 | 30.6 | 37.2 |
| Ratio of cash flows to interest-bearing debts (%) | 508.4 | 177.1 | 244.2 | 22.3 | - |
| Interest Coverage Ratio (time) | 11.3 | 38.1 | 27.9 | 251.3 | - |

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

1. All indicators are calculated using consolidated financial data.
2. The total market value of stock is calculated by multiplying the closing price of stock at the end of the fiscal year by the number of shares outstanding at the end of the fiscal year (after adjustment for treasury shares).
3. Cash flows from operating activities correspond to Cash Flows from Operating Activities appearing on the Statements of Consolidated Cash Flows. Interest-bearing debt corresponds to all interest-paying debt as recorded on the Consolidated Balance Sheets. Interest paid corresponds to interest payments appearing on the Statements of Consolidated Cash Flows.
4. The interest-bearing debt to cash flows ratio and the interest coverage ratio for the interim term of fiscal 2008 are omitted above, since the cash flows from operating activities were negative.

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

(Company's Policy for Dividend)

The Company believes that returning earnings to its shareholders is one of its most important management tasks and recognizes its obligation to improve its earnings per share. With respect to the allocation of earnings, we intend to maintain the basic dividend policy of paying stable dividends, considering year-on-year changes in operational performance. We also seek to retain adequate earnings to augment the Company's earnings structure and to provide for future market fluctuations. Based on these policies, the Company had planned to pay 6 yen per share as interim and year-end dividends, or an annual dividend of 12 yen, emphasizing stable dividends. However, reflecting a strong performance in the interim period, we decided to increase the interim dividend by 2 yen, to 8 yen. We also decided to increase the year-end dividend by the same amount. As a result, we will pay an annual dividend of 16 yen per share, a rise of 4 yen from the year-ago level.

In the next fiscal year, we plan to add a 60th anniversary commemorative dividend of 4 yen to a common dividend of 16 yen and to pay a total of 20 yen.

We wish to continue to show our appreciation for the support we receive from our shareholders.

(Acquisition of Treasury Stock)

To ensure flexibility in capital policy management, the Company repurchased one million shares of its own stock, which accounted for about 1.8% of all shares issued and outstanding, for 1,892 million yen between July and September 2007. The number of Company shares held at the end of the fiscal year became 2,089,059 shares. We will not cancel this stock in the immediate future, but hold them as treasury stock with an eye to using them in M&A and other opportunities, as part of our growth strategy.

### (4) Business Risks

The major risks relevant to business operations and other affairs of the Company and the Toho Pharmaceutical Group are described below. Discussions about the future that appear in this section reflect observations made by the Company as of the date of releasing financial results contained herein (May 9, 2008).

#### 1. Legal Regulations

In its pharmaceutical operations segment, as of the end of March 2008, the Toho Pharmaceutical Group, together with the Company's business alliance partners (16 members of the Kyoso Mirai Group), enjoys a combined network of sales bases spanning an archipelago containing 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 and govern the Group's marketing and carrying of pharmaceuticals and other products. These require the Group to obtain necessary approvals, registrations, designations and/or licenses from the prefectural governors in whose jurisdiction sales offices are located and to file notifications with supervisory government agencies prior to commencing marketing and sales operations. The current state of how supervisory government agencies issue their authorizations and approvals may affect the Group's results regarding operations in its pharmaceutical segment.

#### 2. Ramifications of Revision of the NHI Drug Price Standards and Reform of the 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 announced by the Ministry of Health, Labour and Welfare. The Standards provide for the scope of use 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 ceilings for the sale prices of ethical pharmaceuticals.

The Health, Labour and Welfare Ministry surveys the prevailing prices of ethical pharmaceuticals in the marketplace and revises the NHI Drug Price Standards once every two years to reflect the findings. The Standards were revised in April of 2004, 2006, and 2008 when the NHI prices were cut, respectively, by 4.2%, by 6.7%, and by 5.2%.

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 the consequences of a downward revision that cuts the prices.

In addition to revisions in the Standards, the framework reforms being implemented by the government to get health insurance finances into better shape directly affect the earnings structures of medical institutions and dispensing pharmacies that are the main customers the Toho Pharmaceutical Group supplies. This makes the efforts of medical institutions and dispensing pharmacies to bolster their financial foundations all the more intense. One approach they take is increasing scale, as seen in public hospitals' more prevalent use of joint purchasing practices and dispensing pharmacy chains' consolidation into larger groups. Since these efforts also increase their purchasing power, medical institutions and dispensing pharmacies tend to adopt stronger policies to get the benefits of expanded scale reflected in their purchasing prices.

The government adopted a policy of encouraging the use of generic products from April this year. We therefore expect the use of generic products to expand, especially in the dispensing pharmacy market.

As explained above, revisions in the NHI Drug Price Standards and other health insurance framework arrangements may affect the Toho Pharmaceutical Group's results of operations, depending on how the details are worked out.

3. Business Practices Unique to Industry

① Provisional Delivery before Agreement on Sales Prices is Reached

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

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

② Rebates of Sales and Sales Promotion Cash Incentives

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

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

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

## 2. State of Corporate Group

State of Corporate Group

For the purposes hereof, the Toho Pharmaceutical Group (Toho Pharmaceutical and its associated companies) or simply the “Group” consists of Toho Pharmaceutical or simply the “Company,” 30 subsidiaries, and 22 affiliates. The Group’s primary business operations, connections between these business operations, and their relationships with the segments classified by types of business operations are described below.

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

### (1) Pharmaceutical Operations

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

As far as the related products purchased from pharmaceutical manufacturers, etc. are concerned, the Company and its consolidated subsidiaries supply these products to 10 subsidiaries (Ethos, Chuoh Medical, Toyaku, and seven others) and five affiliated companies (Fuji Biomedix and four others). The Company also supplies the products to the nine subsidiaries and two affiliates mentioned above.

### (2) Dispensing Pharmacies Operations

Ethos, Chuoh Medical, Toyaku, and seven other companies (subsidiaries), and Fuji Biomedix and four other companies (associates) primarily manage health insurance dispensing pharmacies.

### (3) Information Processing Operations

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

### (4) Site Management Organization (SMO) Operations

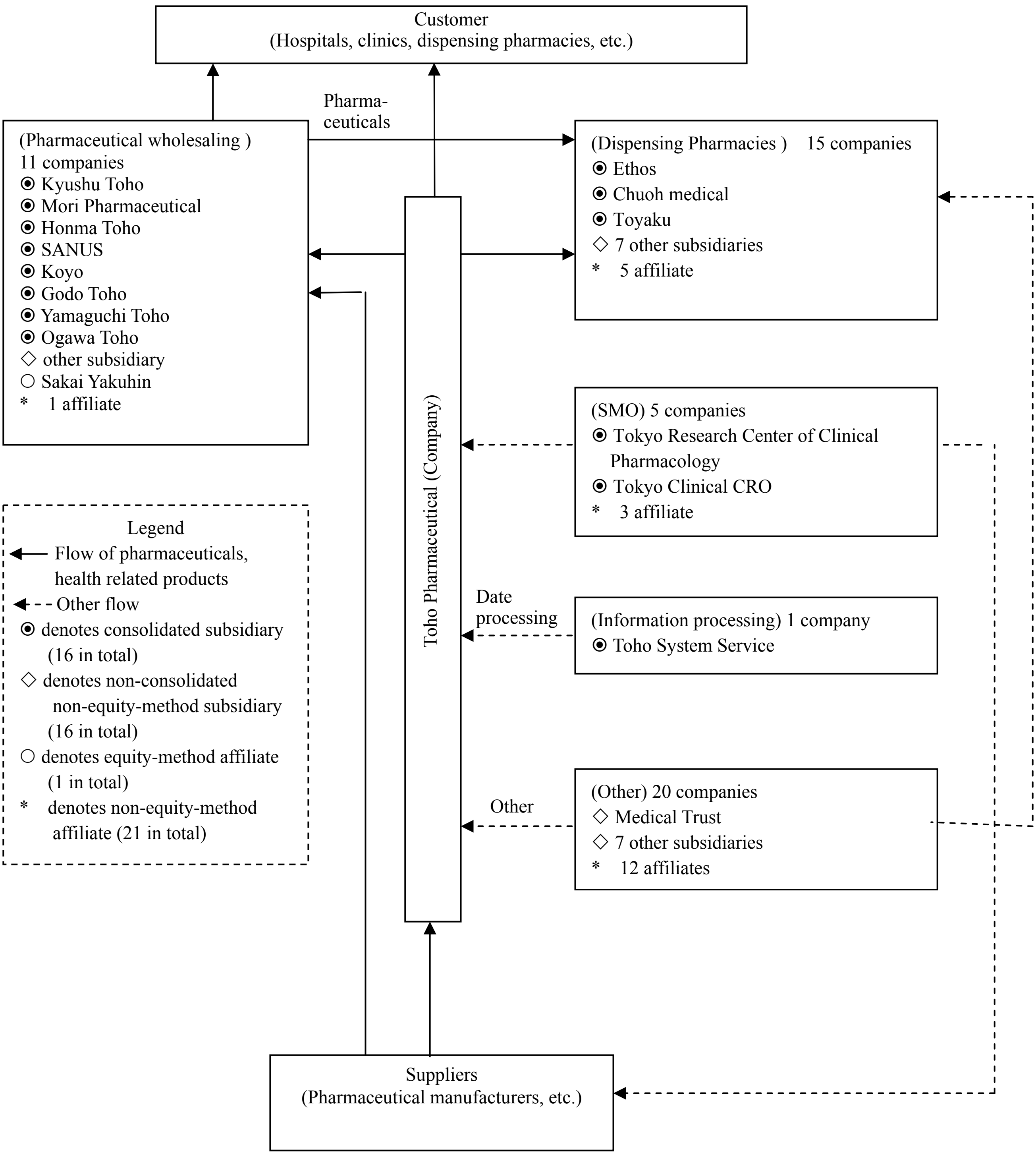
The Tokyo Research Center of Clinical Pharmacology, a subsidiary, undertakes SMO (Site Management Organization) operations.

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

### (5) Other Operations

Medical Trust, a subsidiary, and 19 other companies (seven subsidiaries and 12 affiliates) undertake respective operations related to the Company.

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



[State of Associated Companies]

| Name | Location | Capital (Million Yen) | Main Business Description | Company's Voting Ownership (%) | Detailed Relationship with Company |
|---|---|---|---|---|---|
| (Consolidated Subsidiaries) | | | | | |
| Kyushu Toho | Kumamoto City, Kumamoto | 522 | Pharmaceutical wholesaling | 100.00 | Supplied by Company with pharmaceuticals. Company represented on Board of Directors. |
| Mori Pharmaceutical | Miyazaki City, Miyazaki | 400 | Pharmaceutical wholesaling | 100.00 | Supplied by Company with pharmaceuticals. |
| Honma Toho | Central Ward, Niigata City, Niigata | 100 | Pharmaceutical wholesaling | 100.00 | Supplied by Company with pharmaceuticals. Company represented on Board of Directors. |
| SANUS | Nishi Ward, Hiroshima City, Hiroshima | 95 | Pharmaceutical wholesaling | 100.00 | Supplied by Company with pharmaceuticals. Company represented on Board of Directors. |
| Koyo | Takamatsu City, Kagawa | 72 | 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. |
| Yamaguchi Toho | Tsuchiura City, Ibaraki | 20 | Pharmaceutical wholesaling | 51.00 | Supplied by Company with pharmaceuticals. Company represented on Board of Directors. |
| Ogawa Toho | Takasaki City, Gunma | 20 | Pharmaceutical wholesaling | 51.00 | Supplied by Company with pharmaceuticals. Company represented on Board of Directors. |
| 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. |
| Chuoh Medical | Central Ward, Niigata City, Niigata | 50 | Operation of dispensing pharmacies | 60.61 (60.61) | Supplied by Company with pharmaceuticals. Company represented on Board of Directors. |
| Toyaku | Shinjuku Ward, Tokyo | 10 | Operation of dispensing pharmacies | 60.61 (60.61) | Supplied by Company with pharmaceuticals. Company represented on Board of Directors. |
| Toho System Service | Setagaya Ward, Tokyo | 10 | Information processing | 100.00 | Processes data and creates software for Company, associated companies, etc. Distributes software to medical institutions jointly with Company. Company represented on Board of Directors. |
| Tokyo Research Center of Clinical Pharmacology | Shinjuku Ward, Tokyo | 401 | SMO | 72.53 | Supported financially by Company. Company represented on Board of Directors. |
| Tokyo Clinical CRO | Shinjuku Ward, Tokyo | 10 | CRO | 72.53 | Company represented on Board of Directors. |
| (Equity-Method Affiliates) | | | | | |
| Sakai Yakuhin | Mitaka City, Tokyo | 60 | Pharmaceutical wholesaling | 35.00 | Supplied by Company with pharmaceuticals. Company represented on Board of Directors. |

(Note) 1. Any indirect ownership reflected in a voting ownership ratio is enclosed in parentheses.
2. As of April 1, 2007, two wholly owned subsidiaries (Tsuruhara Yoshii and Yakushin) of the Company were merged and Tsuruhara Yoshii was left as the surviving company, and changed the company name to Kyushu Toho (based in Kumamoto, Kumamoto Prefecture).
3. Since the ratio of the sales (excluding inter-company sales among consolidated companies) of each company to the consolidated sales is not more than 10%, information on the principal earnings of the companies is omitted.

## 3. Business Management Policy

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

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

#### (1)Mission Statement

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

#### (2)Core Value

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

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

#### (3)Business Management Policy (Management vision)

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

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

### 2) Target Managerial Indicators

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

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

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

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

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

4) Company Issues that Need Addressing

<Improvement in Distribution>

The Ministry of Health, Labour and Welfare's Council for Improvement in the Distribution of Ethical Drugs (Ryukaikon) announced on September 28, 2007 an urgent proposal that includes measures to correct prolonged negotiations on transaction prices, provisional delivery, and bulk buying contracts in the distribution of ethical drugs and reported the proposal to the Drug Price Committee of the Central Social Insurance Medical Council on October 24, 2007. The Group will recognize the proposal and will seek to improve the distribution of ethical drugs with an unwavering resolve. The Group will make improving distribution a top priority in the next fiscal year and will seek to enhance the value of drug wholesalers by establishing a better distribution system for pharmaceuticals.

<Kyoso Mirai Group>

The Kyoso Mirai Group is organized by the Company and has about 1 trillion yen in net sales, including the sales of its non-consolidated companies. The Group has a network of sales bases covering most of the country and shares common purchasing, distribution, and mission-critical systems to achieve economies of scale that are essential for the survival of a pharmaceutical wholesaling company. In the pharmaceutical wholesaling industry, industrial reorganization and the consolidation of corporate groups have been underway since the 1990s to strengthen negotiating power over purchase prices and streamlining operations. Each group will seek to differentiate itself from other groups in the sales and marketing system, distribution network, and customer support program and will engage in more quality-oriented competition, where each will aim for higher profitability and customer retention. In the circumstances, we think the Group's distinctive management approach, which respects the autonomy of each member company (known as a "soft alliance strategy") will enable it to expand without harming relations with existing customers. Our challenge is to accelerate action to improve productivity, integrate operations, and strengthen capital tie-ups and other relationships, while maintaining the strengths of the Group, and to consider optimal corporate governance and enhance the Group's power. Mori Pharmaceutical (based in Miyazaki), which has a strong business infrastructure in Miyazaki Prefecture, joined the Group on September 13, 2007 and became a wholly owned subsidiary on January 1, 2008. The Group made Honma Toho, which trades in Niigata Prefecture, and Koyo, which trades throughout Shikoku, wholly owned subsidiaries on February 1, 2008.

<Ashi-no-kai>
Ashi-no-kai obtains allowances through its joint sales promotion and sustains efforts and consultations for the joint development of new wholesale functions. In the healthcare business, Vital Health Care, Reed Health Care (the new name adopted by the former Astem Health Care on January 1, 2008), and Hokuyaku Healthcare merged on April 1, 2008 to become Reed Health Care. The new company aims to establish a presence in the domestic healthcare business by using management resources efficiently, bolstering expertise, catering to local characteristics, and providing high-quality services as a wholesaler specializing in over-the-counter drugs. It announced on April 1, 2008 a comprehensive business alliance with OHKI (headquartered in Bunkyo-ku, Tokyo), which has an operating alliance with the Company, with a view to a business merger. We hope the announcement will strengthen the presence of Ashi-no-kai in the healthcare business.

<Initiatives to Explore and Develop New Business Models and Formats>
The Company formed an operating alliance with OHKI (headquartered in Bukyo-ku, Tokyo) and Kokubu (headquartered in Chuo-ku, Tokyo) on August 7, 2007, with a view to reinforcing and expanding midstream distribution capabilities in its operations in food, pharmaceuticals, cosmetics, and daily necessities. By sharing themes such as medical care, food, health, beauty and comfortable living, the three companies will join hands in working to build a solid intermediate distribution structure. We will also seek to deal with the revised Pharmaceutical Affairs Law, to expand operations beyond existing categories, and to establish a new business model that responds to changes in the conditions of the retail business through the creation of a healthcare community.
The Company formed a capital and business alliance with Fuji Biomedix (headquartered in Chuo-ku, Tokyo) on August 20, 2007 to bolster and expand pharmaceutical and other development support operations, dispensing pharmacy operations, and health support operations, among others. Fuji Biomedix provides SMO and CRO services with a comprehensive range of support capabilities to meet non-clinical to clinical testing needs (phases I, II, and III, and post-marketing). In addition to these core business operations, it undertakes dispensing pharmacy operations and health support operations as it develops a structure of support services ranging from medical care to health care. The new business alliance is aimed at both parties sharing their expertise and networks to create synergies and bolster their corporate value.

<Dispensing Pharmacy Operations>
The Company made Chuoh Medical, which has dispensing pharmacy operations principally located in Niigata Prefecture, a member of the Group on July 31, 2007, and made the Zenkaido Pharmacy Group (based in Niigata, Niigata Prefecture), which has also dispensing pharmacy operations primarily in Niigata Prefecture, its wholly owned subsidiary on May 1, 2008. The Group will give full support to the sound management of community pharmacies through its sales strength, including its own customer support system, pursuing a new soft alliance model for the development of functions. This model will emphasize relationships among health insurance pharmacies, medical institutions preparing prescriptions, and patients based on the spirit of Kyoso Mirai, which is the basic philosophy of the Group, in vertical cooperation with dispensing pharmacies. In this way, the Group will make dispensing pharmacy operations a stable profit-making business from the long-term perspective.

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

<Centralizing Business Infrastructure Functions>
In centralizing the Group's business infrastructures, we will continue to promote the standardization of back-office business processes across the Group by integrating financial and accounting systems and HR and payroll systems and centralizing and overhauling the Group members' general administrative work for increased efficiencies. The centralization of administrative work had been almost completed among the Group companies in eastern Japan, and during the fiscal year under review we completed the centralization of administrative work with Godo Toho, SANUS, Kyushu Toho and Koyo, both based in western Japan.

<Greater Business Efficiencies>
As for greater business efficiencies on a consolidated basis, we will strive to achieve common targets among the Group companies as soon as possible; specifically an automated order receipts ratio of 90%, automated collections ratio of 95%, and a separated sales and distribution ratio of 90%. The results at the end of the current term were an automated order receipts ratio of 56.9% (up 2.2% from the corresponding preceding term), in automated collections ratio of 93.0% (up 2.7% from the corresponding preceding term), and a separated sales and distribution ratio of 80.0% (up 14.4% from the corresponding preceding term).

<Financial ground>
As for financial ground, the Company will continue to stand firm on its sales policy in placing priority on profitability, and endeavor to increase net assets by accumulating profits, enhance its financial strength, and augment its capital structure. The Company enjoys good cash positions, as it has few assets of possible impairment loss, low reliability on interest-bearing debts, and no group company is in immediate need of close attention. Furthermore, from the perspective of promoting cash flow management, we will strive to promote greater business efficiencies, targeting to achieve a product inventory turnover goal of 0.50 month (6-month average) and accounts receivable goal of 2.50 months (6-month average) by March 2009. As of the end of March 2008, the inventory turnover was 0.67 month, and the number of months of accounts receivable was 2.83 months.

<Wide-Area Wholesaling Function>
We believe that a mission pharmaceutical wholesalers should carry out is to "realize the safe and secure distribution of pharmaceuticals." Toward this end, during the period under review we have stepped up efforts to completely mechanize and systematize operations at all our logistics centers, including TBC Tokyo, our Tokyo metropolitan area distribution hub that entered service in the preceding fiscal year. Our goal is to reduce human error as close to zero as possible and to relieve the workload burden on the sales offices. TBC Tokyo achieved a shipping accuracy rate of 99.9994%. Furthermore, the Company has implemented a lot control system at branch level in pursuit of enhancing the traceability of pharmaceuticals. The Company will continue to phase in a shift to adopt a bar-coded sales slip format in order to heighten our ability to deliver to customers with increased accuracy.

As a result of these efforts, TBC Tokyo obtained ISO9001:2000, an international standard for quality management systems developed by ISO (International Organization for Standardization), on March 17, 2008. We plan to have TBC Okayama, the base in Western Japan, acquire ISO9001 certification and will ultimately have all distribution centers obtain the certification.

We believe that consistently providing a stable supply of pharmaceuticals in the event of a major disaster is one of our missions. Based on that belief, we have developed an East and West Japan Dual-Center Approach (redundant system using data centers) as a mission-critical system and have taken steps to avoid system paralysis in the event of a major disaster, building a mutual backup system among distribution centers. The entire Kyoso Mirai Group regularly conducts changeover tests and training for its mission-critical system and distribution systems, assuming different scenarios.

<Innovation in Marketing Style>
We have continued to enhance our field sales information management systems in order to accommodate increasingly diverse sales strategies manufacturers initiate. The speedy and detailed management and reporting of information is particularly crucial as it relates to sales promotions (field sales representatives' marketing activities). It is also increasingly essential to coordinate activities, by facilitating timely information exchanges, in conjunction with MRs (Medical Representatives who advertise academic information for manufacturers). We will endeavor to build an information sharing system with manufacturers in order to meet these challenges. Our planned goals in designing such a system include the standardization of data formats that differ according to manufacturer. Another is to keep to a minimum our MSs' (Medical Specialists) office work required after returning from a day in the field, for example by incorporating a function enabling them to enter their activity reports on their handheld terminals (via voice recognition technology).

In Tokyo call center operations, we have improved work processes by taking advantage of the database of historical responses to customer calls. We will continue to seek improvements focusing on preventing lost opportunities at the branches because an order is out of stock or is difficult to deliver on time and on reducing inquiries regarding ENIF and divided package sales. This will call for the coherent efforts of the Sales and Marketing Division, the Customer Support Division, and the Logistics Division.
Furthermore, we have implemented our new call center initiative to offer sales promotions and product announcements (in an outbound direction). We opened a Kyoso Mirai West Japan Call Center in February 2008 and have begun services for registered customers of the Kyoso Mirai Group companies in Kinki, Chugoku, Shikoku, and Kyushu areas.

<Customer Service>

Our proprietary customer support systems developed from customer-oriented and patient-oriented perspectives, and offered as services with fees, specifically ENIF (an interactive system enabling ordering and information retrieval on handheld information terminals), ENI-Pharmacy (system for the separation of dispensaries from medical practices), LXMATE-HeLios (a hospital appointment booking system via telephone), and PharmaStream ENIF club plan (support system for Web-learning; Internet-based lifelong education for pharmacists), enjoyed further market penetration during this term thanks to their various functions and convenient advantages. Since a higher market penetration of these systems will entail expectations for further contributions to differentiated services, more stable trading relationships, and greater business efficiencies, the Company's important challenges for marketing strategies in the next term will continue to be the further improvement and penetration of these services, and the development of new solutions. During the fiscal year under review, we worked on a new solution to make it easier for medical institutions to adopt an appointment booking system that should aid in eliminating patients' dissatisfaction with waiting times and improving hospitals' operational efficiencies. Evolving from the telephone appointment booking system and incorporating medical institutions' needs,
the Internet-based ASP appointment booking system SELENE was developed and offered for sale in October 2007.

<Internal Controls and Others>

In accordance with the Corporations Law, the Company has established its Basic Policy Governing Internal Control Systems and has worked to ensure sincere compliance involving the entire organization. In compliance and risk management efforts, in particular, we have set up a new Compliance and Risk Management Committee that meets on a regularly scheduled basis. This committee considers programs to promote complete compliance throughout the organization. It works to ensure a heightened level of compliance across the Company and the Group especially as it is concerned with the Pharmaceutical Affairs Law and related laws and regulations, the Antimonopoly Law and other laws and regulations for establishing fair competition, and rules and regulations governing the security management of corporate information. Furthermore, the committee considers risk management programs to build an early risk detection framework and to establish methodology for appropriately managing risks. The internal controls over financial reporting set out in the Financial Products and Trading Act will come into effect in FY2009. In preparation for their introduction, the Company has identified the risks in the business process and accounting and financial reporting process and established a control method. The Company is going to familiarize employees with the risks and control method and have them adopt the method.

<Expansion Prospects Overseas>

In the fiscal year under review, the Company participated in a scheme to invest a total of 60,000,000.00 U.S. dollars in Jointown Group Co., Ltd. (Wuhan City, Hubei Province, the People's Republic of China), with whom we have maintained a close rapport via personnel exchanges and the provision of logistics expertise in what we consider a strategic partnership. (The Company contributed 4,000,000.00 U.S. dollars through the investment vehicle.) Jointown Group ranks No. 3 in China's pharmaceutical wholesaling industry, with state enterprises included, and ranks No. 1 in the private sector. It is a high potential company that has a proven track record of strong growth in both business performance and size. Jointown Group offered the Company its proposal, on its own behalf, to join this investment program in order to meet its funding needs for further expansion of its operations. We consider that this opportunity provides a key foothold in China's expanding markets and thus seek to build a long-standing cooperative relationship with Jointown Group.
The continued support of shareholders will be greatly appreciated.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

| Account | Note ref. No. | Fiscal 2007 (As of March 31, 2007) Amount (million yen) | Share (%) | Fiscal 2008 (As of March 31, 2008) Amount (million yen) | Share (%) | Increase (Decrease) Amount (million yen) |
|---|---|---|---|---|---|---|
| (Assets) | | | | | | |
| Ⅰ Current assets | | | | | | |
| 1. Cash on hand and on deposit | (Note 3) | 42,449 | | 16,742 | | |
| 2. Notes and accounts receivable | (Note7) | 195,055 | | 205,355 | | |
| 3. Marketable securities | | 1,996 | | 498 | | |
| 4. Inventories | | 47,161 | | 46,460 | | |
| 5. Deferred tax assets | | 1,517 | | 1,614 | | |
| 6. Purchase rebates receivable | | 11,454 | | 12,130 | | |
| 7. Other | | 9,668 | | 11,007 | | |
| Allowance for doubtful receivables | | - 428 | | -385 | | |
| Total current assets | | 308,874 | 77.9 | 293,424 | 75.8 | □15,450 |
| Ⅱ Fixed assets | | | | | | |
| 1. Property, plant and equipment | (Note 1) | | | | | |
| (1) Buildings and structures | (Note 3) | 14,432 | | 14,821 | | |
| (2) Vehicles and carriers | | 23 | | 21 | | |
| (3) Land | (Note 3,5) | 29,042 | | 29,391 | | |
| (4) Construction in progress | | 79 | | 241 | | |
| (5) Other | | 1,300 | | 1,068 | | |
| Total property, plant and equipment | | 44,879 | 11.3 | 45,545 | 11.8 | 666 |
| 2. Intangible fixed assets | | | | | | |
| (1) Goodwill | | 4,088 | | 6,371 | | |
| (2) Other | | 2,979 | | 2,640 | | |
| Total intangible fixed assets | | 7,068 | 1.8 | 9,011 | 2.3 | 1,943 |
| 3. Investments and other assets | | | | | | |
| (1) Investments in securities | (Note 2,3) | 30,075 | | 33,700 | | |
| (2) Long-term loans receivable | | 997 | | 843 | | |
| (3) Deferred income taxes | | 179 | | 173 | | |
| (4) Other | | 5,349 | | 5,493 | | |
| Allowance for doubtful receivables | | - 977 | | -920 | | |
| Total investments and other assets | | 35,624 | 9.0 | 39,291 | 10.1 | 3,667 |
| Total fixed assets | | 87,572 | 22.1 | 93,849 | 24.2 | 6,277 |
| Total assets | | 396,447 | 100.0 | 387,273 | 100.0 | -9,174 |

| | | Fiscal 2007 (As of March 31, 2007) | | Fiscal 2008 (As of March 31, 2008) | | Increase (Decrease) |
|---|---|---|---|---|---|---|
| Account | Note ref. No. | Amount (million yen) | Share (%) | Amount (million yen) | Share (%) | Amount (million yen) |
| (Liabilities) | | | | | | |
| Ⅰ Current liabilities | | | | | | |
| 1. Notes and accounts payable | (Note3,7) | 269,733 | | 259,717 | | |
| 2. Short-term loans payable | (Note 3) | 4,628 | | 6,263 | | |
| 3. Current portion of long-term debt | (Note 3) | 532 | | 232 | | |
| 4. Income taxes payable | | 3,130 | | 3,003 | | |
| 5. Accrued expenses | | 1,500 | | 1,524 | | |
| 6. Accrued bonuses | | 2,365 | | 2,506 | | |
| 7. Directors' bonuses | | 92 | | 75 | | |
| 8. Reserve for sales returns | | 307 | | 319 | | |
| 9. Other | | 5,428 | | 4,256 | | |
| Total current liabilities | | 287,720 | 72.6 | 277,898 | 71.8 | -9,822 |
| Ⅱ Long-term liabilities | | | | | | |
| 1. Bonds payable | | 9,600 | | 9,900 | | |
| 2. Long-term debt | (Note 3) | 238 | | 535 | | |
| 3. Deferred tax liabilities | | 9,504 | | 7,986 | | |
| 4. Accrued retirement benefits for employees | | 3,006 | | 2,095 | | |
| 5. Deferred tax liabilities due to revaluation | (Note 5) | 1,414 | | 1,309 | | |
| 6. Negative goodwill | | 3,706 | | 2,839 | | |
| 7. Other | | 4,466 | | 3,936 | | |
| Total long-term liabilities | | 31,936 | 8.0 | 28,601 | 7.4 | -3,335 |
| Total liabilities | | 319,656 | 80.6 | 306,500 | 79.1 | -13,156 |
| (Net assets) | | | | | | |
| Ⅰ Shareholders' equity | | | | | | |
| 1. Common stock | | 10,599 | | 10,599 | | — |
| 2. Capital surplus | | 23,597 | | 24,181 | | 584 |
| 3. Retained earnings | | 41,362 | | 48,829 | | 7,467 |
| 4. Treasury stock | | - 3,481 | | -3,436 | | 45 |
| Total shareholders' equity | | 72,078 | 18.2 | 80,175 | 20.7 | 8,097 |
| Ⅱ Unrealized gains on revaluation | | | | | | |
| 1. Unrealized gains on available-for-sale securities | | 3,732 | | 1,699 | | -2,033 |
| 2. Unrealized gains on revaluation of land | (Note 5) | - 4,762 | | -4,637 | | 125 |
| Total unrealized gains on revaluation | | - 1,030 | -0.2 | -2,937 | -0.8 | -1,907 |
| Ⅲ Equity warrants | | 21 | 0.0 | 54 | 0.1 | 33 |
| Ⅳ Minority interests | | 5,720 | 1.4 | 3,480 | 0.9 | -2,240 |
| Total net assets | | 76,790 | 19.4 | 80,772 | 20.9 | 3,982 |
| Total liabilities and net assets | | 396,447 | 100.0 | 387,273 | 100.0 | -9,174 |

## (2) Consolidated profit and loss statement

| Account | Note ref. No. | Fiscal 2007 (As of March 31, 2007) Amount (million yen) | | Share (%) | Fiscal 2008 (As of March 31, 2008) Amount (million yen) | | Share (%) | Increase (Decrease) Amount (million yen) | |
|---|---|---|---|---|---|---|---|---|---|
| Ⅰ Net sales | | | 773,436 | 100.0 | | 805,419 | 100.0 | | 31,983 |
| Ⅱ Cost of sales | | | 709,811 | 91.8 | | 739,485 | 91.8 | | 29,674 |
| Gross income | | | 63,624 | 8.2 | | 65,933 | 8.2 | | 2,309 |
| Reversal of reserve for sales returns | | | □5 | 0.0 | | 5 | 0.0 | | 10 |
| Gross income after reserve for sales returns | | | 63,629 | 8.2 | | 65,928 | 8.2 | | 2,299 |
| Ⅲ Selling, general and administrative expenses | | | | | | | | | |
| 1. Directors' salaries and employees' salaries and allowances | | 27,573 | | | 28,489 | | | | |
| 2. Provision for accrued bonuses | | 2,410 | | | 2,446 | | | | |
| 3. Provision for directors' bonuses | | 92 | | | 75 | | | | |
| 4. Provision for accrued retirement benefits for employees | | 485 | | | 313 | | | | |
| 5. Provision for accrued retirement benefits for directors and corporate auditors | | 19 | | | — | | | | |
| 6. Welfare expenses | | 4,314 | | | 4,493 | | | | |
| 7. Vehicle expenses | | 1,190 | | | 1,149 | | | | |
| 8. Provision for allowance for doubtful receivables | | 228 | | | — | | | | |
| 9. Depreciation and amortization | | 2,000 | | | 2,077 | | | | |
| 10. Amortization expenses for goodwill | | 992 | | | 900 | | | | |
| 11. Rent | | 4,167 | | | 4,436 | | | | |
| 12. Taxes and dues | | 783 | | | 784 | | | | |
| 13. Miscellaneous expenses | | 10,035 | 54,294 | 7.0 | 10,492 | 55,658 | 6.9 | | 1,364 |
| Operating income | | | 9,335 | 1.2 | | 10,269 | 1.3 | | 934 |
| Ⅳ Non-operating income | | | | | | | | | |
| 1. Interest income | | 95 | | | 137 | | | | |
| 2. Dividend income | | 269 | | | 340 | | | | |
| 3. Information sales income | | 1,733 | | | 1,884 | | | | |
| 4. Real estate rental income | | 236 | | | 163 | | | | |
| 5. Amortization expenses for negative goodwill | | 1,325 | | | 1,204 | | | | |
| 6. Equity in earnings of investees | | 105 | | | 99 | | | | |
| 7. Miscellaneous income | | 625 | 4,391 | 0.6 | 618 | 4,448 | 0.5 | | 57 |
| Ⅴ Non-operating expenses | | | | | | | | | |
| 1. Interest expenses | | 91 | | | 103 | | | | |
| 2. Specified line commitment fees | | 47 | | | 37 | | | | |
| 3. Loss before deduction of temporary consumption tax payment | | 322 | | | 619 | | | | |
| 4. Miscellaneous losses | | 160 | 622 | 0.1 | 56 | 816 | 0.1 | | 194 |
| Ordinary income | | | 13,104 | 1.7 | | 13,901 | 1.7 | | 797 |

| Account | Note ref. No. | Fiscal 2007 (As of March 31, 2007) Amount (million yen) | | Share (%) | Fiscal 2008 (As of March 31, 2008) Amount (million yen) | | Share (%) | Increase (Decrease) Amount (million yen) | |
|---|---|---|---|---|---|---|---|---|---|
| Ⅵ Extraordinary gains | | | | | | | | | |
| 1. Gains on sales of fixed assets | (Note1) | 52 | | | 255 | | | | |
| 2. Gains on sales of investment securities | | 54 | | | 76 | | | | |
| 3. Gains on sales of stocks of affiliate companies | | 181 | | | — | | | | |
| 4. Gains on sales of golf club memberships | | 0 | | | 0 | | | | |
| 5. Reversal of accrued retirement benefits for directors and corporate auditors | | 192 | | | — | | | | |
| 6. Gain due to switchover to defined contribution pension program | | — | | | 259 | | | | |
| 7.Other | | 68 | 549 | 0.1 | 63 | 655 | 0.1 | | 106 |
| Ⅶ Extraordinary losses | | | | | | | | | |
| 1. Loss on disposal of fixed assets | (Note2) | 601 | | | 312 | | | | |
| 2. Loss on sale of investment securities | | 0 | | | — | | | | |
| 3. Loss on revaluation of investment securities | | 11 | | | 15 | | | | |
| 5. Loss on sale of golf club memberships | | 4 | | | 2 | | | | |
| 6. Loss on revaluation of golf club memberships | | 8 | | | — | | | | |
| 7. Directors' retirement benefits | | 309 | | | 35 | | | | |
| 8. Lump-sum grants to voluntary early retirements | | 2 | | | — | | | | |
| 5. Loss on sale of golf club memberships | | 96 | | | — | | | | |
| 12. Impairment loss | (Note 3) | 485 | | | 339 | | | | |
| 13. Loss due to debt forgiveness | | 299 | | | — | | | | |
| 14. Others | | 35 | 1,856 | 0.3 | 94 | 799 | 0.1 | | -1,057 |
| Income before income taxes | | | 11,797 | 1.5 | | 13,757 | 1.7 | | 1,960 |
| Corporate income, inhabitant and enterprise taxes | | 4,505 | | | 5,121 | | | | |
| Adjustments for income taxes | | - 50 | 4,454 | 0.6 | -324 | 4,797 | 0.6 | | 343 |
| Minority interests | | | 124 | 0.0 | | 578 | 0.1 | | 454 |
| Current net income | | | 7,218 | 0.9 | | 8,381 | 1.0 | | 1,163 |

## (3) Consolidated Statement of Changes in Shareholders' Equity

During this term (From April 1, 2006 to March 31, 2007)

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

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

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

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

During this term (From April 1, 2007 to March 31, 2008)

| | Shareholder's Equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholder's equity |
| Balance as of March 31, 2007 (million yen) | 10,599 | 23,597 | 41,362 | - 3,481 | 72,078 |
| Changes during this term | | | | | |
| Change due to stock swap | | 583 | | 1,946 | 2,530 |
| Surplus distributed to shareholders | | | - 789 | | - 789 |
| Net income | | | 8,381 | | 8,381 |
| Own company stock reacquired | | | | - 1,901 | - 1,901 |
| Transfer from land revaluation excess | | | - 124 | | - 124 |
| Change (net increase or decrease) in non-shareholders' equity items during this term | | | | | |
| Total changes during this term | — | 583 | 7,467 | 45 | 8,096 |
| Balance as of March 31, 2008 (million yen) | 10,599 | 24,181 | 48,829 | - 3,436 | 80,175 |

| | Unrealized gains on revaluation | | | Equity warrants | Minority interests | Total net assets |
|---|---|---|---|---|---|---|
| | Unrealized gains on available-for-sale securities | Unrealized gains on revaluation of land | Total unrealized gains on revaluation | | | |
| Balance as of March 31, 2007 (million yen) | 3,732 | - 4,762 | - 1,030 | 21 | 5,720 | 76,790 |
| Changes during this term | | | | | | |
| Change due to stock swap | | | | | | 2,530 |
| Surplus distributed to shareholders | | | | | | - 789 |
| Net income | | | | | | 8,381 |
| Own company stock reacquired | | | | | | - 1,901 |
| Transfer from land revaluation excess | | | | | | - 124 |
| Change (net increase or decrease) in non-shareholders' equity items during this term | - 2,032 | 124 | - 1,907 | 32 | - 2,240 | - 4,115 |
| Total changes during this term | - 2,032 | 124 | - 1,907 | 32 | - 2,240 | 3,981 |
| Balance as of March 31, 2008 (million yen) | 1,699 | - 4,637 | -2,937 | 54 | 3,480 | 80,772 |

(4)Consolidated Statements of Cash Flows

| | | Fiscal 2007 (From April 1, 2006 to March 31, 2007) | Fiscal 2008 (From April 1, 2007 to March 31, 2008) | Increase (Decrease) |
|---|---|---|---|---|
| Account | Note ref. No. | Amount (million yen) | Amount (million yen) | Amount (million yen) |
| Ⅰ Cash flows from operating activities | | | | |
| Income before income taxes | | 11,797 | 13,757 | |
| Depreciation | | 2,000 | 2,077 | |
| Loss on impairment | | 485 | 339 | |
| Amortization expenses for goodwill | | 992 | 900 | |
| Amortization expenses for negative goodwill | | -1,325 | -1,204 | |
| Equity in earnings of investees | | -105 | -99 | |
| Decrease in accrued employees' retirement benefits | | -597 | -977 | |
| Decrease in accrued directors' retirement benefits | | -192 | — | |
| Increase (decrease) in reserve for sales returns | | -5 | 5 | |
| Increase in accrued bonuses | | 50 | 81 | |
| Increase (decrease) in accrued directors' bonuses | | 92 | -17 | |
| Increase (decrease) in allowance for doubtful receivables | | 84 | -105 | |
| Interest and dividend income | | -364 | -478 | |
| Research fee income | | -1,733 | -1,884 | |
| Real estate rental income | | -236 | -163 | |
| Miscellaneous income | | -625 | -618 | |
| Interest expense | | 91 | 103 | |
| Specified line commitment fee | | 47 | 37 | |
| Loss before deduction of temporary consumption tax payment | | 322 | 619 | |
| Miscellaneous loss | | 160 | 56 | |
| Gain on sale of tangible fixed assets | | -52 | -255 | |
| Loss on disposal of tangible fixed assets | | 598 | 308 | |
| Loss on disposal of intangible current assets | | 2 | 3 | |
| Loss on disposal of long-term prepaid expenses | | 0 | — | |
| Gain on sale of investment securities | | -54 | -76 | |
| Loss on sale of investment securities | | 0 | — | |
| Loss on revaluation of investment securities | | 11 | 15 | |
| Gain on sale of stocks of affiliated companies | | -181 | — | |
| Proceeds from nonlife insurance premium | | -0 | — | |
| Other extraordinary gains | | -67 | -37 | |
| Gain on sale of golf club memberships | | -0 | -0 | |
| Loss on sale of golf club memberships | | 4 | 2 | |
| Loss on revaluation of golf club memberships | | 8 | — | |
| Directors' retirement benefits | | — | 35 | |
| Variance from disposal of tying stocks | | 2 | — | |
| Loss due to debt forgiveness | | 299 | — | |
| Other extraordinary losses | | 35 | 94 | |
| Other non-cash losses (gains) | | 57 | 98 | |
| Decrease (increase) in trade receivables | | 624 | -10,035 | |
| Decrease in inventories | | 30 | 1,134 | |
| Decrease (increase) in purchase rebates receivable | | 465 | -588 | |
| Increase in other assets | | -916 | -1,003 | |
| Increase (decrease) in trade payables | | 11,861 | -11,328 | |
| Increase in other liabilities | | 2,017 | 266 | |
| Decrease in accrued consumption taxes | | -260 | -798 | |
| Payment of directors' bonuses | | -61 | — | |
| Subtotal | | 25,363 | -9,736 | -35,099 |

| Account | Note ref. No. | Fiscal 2007 (From April 1, 2006 to March 31, 2007) Amount (million yen) | Fiscal 2008 (From April 1, 2007 to March 31, 2008) Amount (million yen) | Increase (Decrease) Amount (million yen) |
|---|---|---|---|---|
| Interest and dividend income | | 367 | 472 | |
| Research fees received | | 1,748 | 1,842 | |
| Real estate rental income | | 236 | 159 | |
| Miscellaneous income | | 634 | 589 | |
| Receipt of proceeds from nonlife insurance premium | | 0 | — | |
| Other extraordinary income | | 67 | — | |
| Interest payment | | -96 | -104 | |
| Payment of specified line commitment agreement fee | | -44 | -35 | |
| Miscellaneous payment | | -158 | -50 | |
| Payment of directors' retirement benefits | | — | -155 | |
| Payment due to switchover to defined contribution pension program | | -316 | -543 | |
| Other extraordinary Payment | | — | -45 | |
| Payment of income taxes | | -3,528 | -5,389 | |
| Net cash provided by operating activities | | 24,273 | -12,996 | -37,269 |
| Ⅱ Cash flows from investing activities | | | | |
| Payment for addition to time deposits | | -1,590 | -192 | |
| Proceeds from refunds of time deposits | | 1,097 | 212 | |
| Payment for acquisition of tangible fixed assets | | -1,808 | -2,065 | |
| Payment for disposal of property, plant and equipment | | — | -98 | |
| Proceeds from sale of tangible fixed assets | | 179 | 801 | |
| Payment for acquisition of goodwill | | — | -120 | |
| Payment for acquisition of software | | -187 | -169 | |
| Proceeds from sale of software | | 0 | — | |
| Payment for acquisition of other intangible fixed assets | | -200 | -70 | |
| Proceeds from sale of other intangible fixed assets | | — | 8 | |
| Payment for acquisition of long-term prepaid expense | | -42 | -18 | |
| Proceeds from sale of long-term prepaid expense | | 1 | 30 | |
| Payment for acquisition of investment securities | | -782 | -2,295 | |
| Proceeds from sale of investment securities | | 78 | 470 | |
| Payment for acquisition of stocks in subsidiaries accompanied by changes in consolidation | (Note2) | -1,841 | -1,524 | |
| Proceeds from acquisition of stocks in subsidiaries accompanied by changes in consolidation | (Note2) | — | 93 | |
| Payment for acquisition of stocks in subsidiaries | | -408 | -55 | |
| Proceeds from sale of stocks in subsidiaries | | — | 5 | |
| Payment for acquisition of stocks in affiliates | | — | -5,631 | |
| Proceeds from sale of stocks in affiliates | | 177 | 3 | |
| Payment for acquisition of other investments | | -473 | -133 | |
| Proceeds from sale of other investments | | 540 | 155 | |
| Proceeds from transfer of goodwill | | — | 11 | |
| Payment for extension of loans | | -1,200 | -405 | |
| Proceeds from collection of loans | | 278 | 289 | |
| Net cash provided by (used in) investing activities | | -6,182 | -10,697 | -4,515 |

| Account | Note ref. No. | Fiscal 2007 (From April 1, 2006 to March 31, 2007) Amount (million yen) | Fiscal 2008 (From April 1, 2007 to March 31, 2008) Amount (million yen) | Increase (Decrease) Amount (million yen) |
|---|---|---|---|---|
| Ⅲ Cash flows from financing activities | | | | |
| Net increase (decrease) in short-term loans payable | | -4,558 | 317 | |
| Proceeds from long-term debt | | ― | 100 | |
| Payment for repayment of long-term debt | | -1,524 | -920 | |
| Payment for acquisition of own stock | | -2,169 | -1,901 | |
| Payment for satisfaction of finance lease liabilities | | -549 | -675 | |
| Payment of cash dividends | | -862 | -789 | |
| Payment of cash dividends to minority shareholders | | -14 | -12 | |
| Net cash provided by financing activities | | -9,678 | -3,883 | 5,795 |
| Ⅳ Increase in cash and cash equivalents | | 8,412 | -27,577 | -35,989 |
| Ⅴ Cash and cash equivalents at beginning of year | | 34,124 | 43,429 | 9,305 |
| Ⅵ Increase in cash and cash equivalents due to business mergers | | 13 | ― | -13 |
| Ⅶ Increase in cash and cash equivalents due to stock swap | | 879 | ― | -879 |
| Ⅷ Cash and cash equivalents at the end of this term | (Note 1) | 43,429 | 15,851 | -27,578 |

(5) Basis of Presenting Consolidated Financial Statements

| Account | Fiscal 2007<br>(From April 1, 2006 to March 31, 2007) | Fiscal 2008<br>(From April 1, 2007 to March 31, 2008) |
|---|---|---|
| 1. Scope of Consolidation | (1) Number of Consolidated Subsidiaries: 13<br>The identities of primary consolidated subsidiaries are provided in "State of Associated Companies."<br>Tsuruhara Yoshii is a consolidated subsidiary resulting from the Company's acquisition of its stock through stock swap during this fiscal year under review.<br>Toyaku is a consolidated subsidiary resulting from the Company's acquisition of its stock during this fiscal year under review.<br>Tokai Toho merged with Toho Pharmaceutical on October 1, 2006.<br>(2) Name of main non-consolidated subsidiary<br>Name of main non-consolidated subsidiary<br>Medical Trust<br>(Reason excluded from range of connection)<br>All non-consolidated subsidiaries are small in size and do not significantly affect the Company's consolidated total assets, net sales, consolidated net income, or retained earnings. Moreover, if taken as a whole, they are insignificant and therefore are not consolidated. | (1) Number of Consolidated Subsidiaries: 14<br>The identities of primary consolidated subsidiaries are provided in "State of Associated Companies."<br>Tsuruhara Yoshii and Yakushin merged on April 1, 2007 and were renamed Kyushu Toho.<br>Chuoh Medical and Mori Pharmaceutical are consolidated subsidiaries as a result of the Company's acquisition of its stock during the fiscal year under review.<br>(2) Name of main non-consolidated subsidiary<br>Name of main non-consolidated subsidiary<br>Medical Trust<br>(Reason excluded from range of connection)<br>Same as in left column |
| 2. Application of Equity Method | (1) Number of Affiliates Accounted for by Equity Method: 1<br>Names of Primary Affiliates:<br>Sakai Yakuhin<br><br>Fisher Scientific Japan was excluded from affiliates accounted for by the equity method due to the sale of all the Company's shareholdings of its stock during this fiscal year under review.<br>(2) State of Non-consolidated Subsidiaries and Affiliates Not Accounted for by Equity Method<br>Names of primary non-consolidated subsidiaries:<br>Medical Trust<br>Names of Primary Affiliates:<br>TRIAD JAPAN<br>Non-consolidated subsidiaries and affiliates not accounted for by the equity method are excluded because they do not individually have any significant effect on the Company's consolidated net income or retained earnings, and are also insignificant as a whole. | (1) Number of Affiliates Accounted for by Equity Method: 1<br>Names of Primary Affiliates:<br>Sakai Yakuhin<br>(2) State of Non-consolidated Subsidiaries and Affiliates Not Accounted for by Equity Method<br>Names of primary non-consolidated subsidiaries:<br>Medical Trust<br>Names of Primary Affiliates:<br>TRIAD JAPAN<br>Non-consolidated subsidiaries and affiliates not accounted for by the equity method are excluded because they do not individually have any significant effect on the Company's consolidated net income or retained earnings, and are also insignificant as a whole. |

| Account | Fiscal 2007<br>(From April 1, 2006 to March 31, 2007) | Fiscal 2008<br>(From April 1, 2007 to March 31, 2008) |
|---|---|---|
| 3. Fiscal Years Adopted by Consolidated Subsidiaries | The final day of the fiscal year of each consolidated subsidiary corresponds to the date of the Company's consolidated financial statements. | Same as in left column. |
| 4. Accounting Principles<br>(1) Basis and Method of Valuation of Significant Assets | ① Securities<br>Held-to-maturity debt securities<br>Stated at cost amortized on a straight-line basis.<br>Other securities<br>With available fair market value:<br>…… Stated at fair market value based principally on the market price as of the end of the fiscal year. (All unrealized gains and losses are included as separate components of net assets, with the cost of securities sold determined using the moving-average method.)<br>With no available fair market value:<br>……Stated at moving-average cost.<br>② Inventories<br>The Company submitting consolidated financial statements and eight consolidated subsidiaries (Tsuruhara Yoshii, Yakushin, SANUS, Godo Toho, Honma Toho, Koyo, Yamaguchi Toho, and Ogawa Toho) value inventories at moving-average cost.<br>Other consolidated subsidiaries value inventories at cost using the last purchase price method. | ① Securities<br>Held-to-maturity debt securities<br>Same as in left column.<br>Other securities<br>With available fair market value:<br>Same as in left column.<br>With no available fair market value:<br>……Same as in left column.<br>② Inventories<br>The Company submitting consolidated financial statements and eight consolidated subsidiaries (Kyushu Toho, Mori Pharmaceutical, Honma Toho, SANUS, Koyo, Godo Toho, Yamaguchi Toho, and Ogawa Toho) value inventories at moving-average cost.<br>Other consolidated subsidiaries value inventories at cost using the last purchase price method. |

| Account | Fiscal 2007<br>(From April 1, 2006 to March 31, 2007) | Fiscal 2008<br>(From April 1, 2007 to March 31, 2008) |
|---|---|---|
| (2) Method of Depreciation of Significant Depreciable Assets | ① Property, plants, and equipment<br>Depreciated by the declining-balance method. Buildings (except structures attached to buildings) acquired on and after April 1, 1998 are depreciated by the straight-line method.<br>The estimated useful lives of major asset categories are as follows:<br>Buildings and structures: 10 - 50 years<br>Vehicles and carriers: 5 - 6 years<br>Equipment and fixtures: 5 - 15 years | ① Property, plants, and equipment<br>Depreciated by the declining-balance method. Buildings (except structures attached to buildings) acquired on and after April 1, 1998 are depreciated by the straight-line method.<br>The estimated useful lives of major asset categories are as follows:<br>Buildings and structures: 10 - 50 years<br>Vehicles and carriers: 5 - 6 years<br>Equipment and fixtures: 5 - 15 years<br>(Change in accounting policy)<br>Following the revision of the Corporation Tax Law (the Law for Partial Revision of the Income Tax Law and Others of March 30, 2007 or Law No. 6 and the Government Ordinance for Partial Revision of the Corporation Tax Law Enforcement Ordinance of March 30, 2007 or Government Ordinance No. 83), effective with the fiscal year under review, the Company changes methods to depreciate assets acquired on and after April 1, 2007 in accordance with the revised Corporation Tax Law.<br>The impact on income as a result of this change was insignificant.<br>The impacts on segmental information are described where they are relevant.<br>(Additional Information)<br>Effective with the fiscal year under review, the Company changes methods to depreciate assets acquired on and before March 30, 2007 evenly over a period of five years following their completed depreciation to the extent permitted.<br>The impact on income as a result of this change was insignificant. |
| | ② Intangible fixed assets<br>Amortized by the straight-line method. Software for internal use is amortized by the straight-line method over the estimated useful life for in-house use (five years). | ② Intangible fixed assets<br>Same as in left column. |

| Account | Fiscal 2007<br>(From April 1, 2006 to March 31, 2007) | Fiscal 2008<br>(From April 1, 2007 to March 31, 2008) |
|---|---|---|
| (3) Principles of Accounting for Significant Allowances and Reserves | ① Allowance for doubtful receivables<br>The allowance for doubtful receivables is provided to cover possible losses in the collection of trade receivables, loans receivable, and others. The actual rate of historical bad debts is used for normal receivables. For certain receivables, including those subject to possible loss, the recoverability of individual accounts is investigated and the uncollectible amount estimated.<br>② Accrued bonus<br>The estimated amount payable is recorded to fund bonus payments to eligible employees and directors, who are also employees of the Group.<br>③ Director bonus reserve<br>In order to fund directors' bonuses from the estimated amount payable for this fiscal year, the obligation for this fiscal year is recorded.<br>(Change in accounting policy)<br>Effective from this consolidated fiscal year under review, the Company adopts "the Accounting Standards for Directors' Bonuses" (issued by the Accounting Standards Board of Japan on November 29, 2005, ASBJ Statement No. 4).<br>The effect of this application was to reduce operating income, ordinary income, and net income before taxes by 92 million yen.<br>The impact on segmental information is described where relevant.<br>④ Reserve for Sales Returns<br>The estimated amount of losses on future sales returns is provided to cover possible losses on sales returns.<br>⑤ Accrued Retirement Benefits for Employees<br>The Company submitting consolidated financial statements and two consolidated subsidiaries (Godo Toho and Toho System Service) shifted entirely to a defined contributory pension program。 In connection with this shift, they adopted a transitional program to pay retirement-age employees (still active on the payroll at said switchover) lump-sum severance allowances in the amount of a portion of all benefits attributable to past service, upon their retirement. This involved recognition of the relevant retirement benefit liability as of the end of March 2007 to prepare for the payment of retirement benefits to these employees. Actuarial differences are insignificant, and thus recognized as expenses in the fiscal year when accrued. | ① Allowance for doubtful receivables<br>Same as in left column.<br>② Accrued bonus<br>Same as in left column<br>③ Director bonus reserve<br>In order to fund directors' bonuses from the estimated amount payable for this fiscal year, the obligation for this fiscal year is recorded.<br>④ Reserve for Sales Returns<br>Same as in left column<br>⑤ Accrued Retirement Benefits for Employees<br>The Company submitting consolidated financial statements and two consolidated subsidiaries (Godo Toho and Toho System Service) shifted entirely to a defined contributory pension program。 In connection with this shift, they adopted a transitional program to pay retirement-age employees (still active on the payroll at said switchover) lump-sum severance allowances in the amount of a portion of all benefits attributable to past service, upon their retirement. This involved recognition of the relevant retirement benefit liability as of the end of March 2008 to prepare for the payment of retirement benefits to these employees. Actuarial differences are insignificant, and thus recognized as expenses in the fiscal year when accrued. |

| Account | Fiscal 2007<br>(From April 1, 2006 to March 31, 2007) | Fiscal 2008<br>(From April 1, 2007 to March 31, 2008) |
|---|---|---|
| | Seven consolidated subsidiaries (Tsuruhara Yoshii, SANUS, Koyo, Yamaguchi Toho, Ethos, Tokyo Research Center of Clinical Pharmacology, and Tokyo Clinical CRO) recognized the amount of accrual estimated at the end of the fiscal year under review to prepare for the payment of retirement benefits to employees. The accrual was based on the estimated amounts of retirement benefit liabilities and pension plan assets at the end of the fiscal year under review. Actuarial differences are prorated on a straight-line basis over a certain number of years (7 years or 10 years) within the average remaining service period of eligible employees when accrued during each fiscal year, and recognized as an expense over the fiscal years following that accrual.<br>(Additional information)<br>One consolidated subsidiary (Godo Toho) shifted all tax-qualified retirement annuity plans to a defined contributory pension program on October 1, 2006. For this purpose, this consolidated subsidiary applied “Accounting Procedures for Shifting between Different Retirement Benefit Programs” (Corporate Accounting Standards Implementation Guidelines No.1).<br>The effect of this shift was to reduce current net income before income taxes by 96 million yen. | Six consolidated subsidiaries (Kyushu Toho, Mori Pharmaceutical, 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 or 10 years) within the average remaining service period of eligible employees when accrued during each fiscal year, and recognized as an expense over the fiscal years following that accrual.<br>(Additional information)<br>One consolidated subsidiary (Ethos) shifted all tax-qualified retirement annuity plans to a defined contributory pension program on September 1, 2007. Two consolidated subsidiaries (SANUS and Yamaguchi Toho) shifted all tax-qualified retirement annuity plans to a defined contributory pension program on October 1, 2007.For this purpose, this consolidated subsidiaries applied “Accounting Procedures for Shifting between Different Retirement Benefit Programs” (Corporate Accounting Standards Implementation Guidelines No.1).<br>Income before income taxes increased 259 million yen in association with the shifts. |
| (4) Method of Accounting for Significant Lease Transactions | Finance leases other than those where ownership of the leased property is deemed transferred to the lessee are accounted for in the same manner as standard lease transactions. | Same as in left column |
| (5) Other Important Information for Preparation of Consolidated Financial Statements | Method of Accounting for Consumption Taxes and Others<br>Transactions subject to consumption tax are accounted for exclusive of consumption tax. | Method of Accounting for Consumption Taxes and Others<br>Same as in left column |
| 5. Valuation of Assets and Liabilities of Consolidated Subsidiaries | All assets and liabilities of consolidated subsidiaries are stated at fair market values. | Same as in left column |
| 6. Amortization of goodwill and negative goodwill | Goodwill and negative goodwill are amortized over a period of five or ten years in equal amounts. | Same as in left column |
| 7. Definition of Cash in Consolidated Statements of Cash Flows | Cash consists of cash on hand, cash deposits withdrawable on demand, and short-term investments readily convertible into cash that bear only a minimum risk of changing in value, and which become due within three months following the date of acquisition. | Same as in left column |

(6) Changes in Basis of Consolidated Financial Statements

| Fiscal 2007<br>(From April 1, 2006 to March 31, 2007) | Fiscal 2008<br>(From April 1, 2007 to March 31, 2008) |
|---|---|
| (Accounting Standards for Net Assets on Balance Sheet)<br>(Partial Revision of Accounting Standards for Decreases in Treasury Stocks and Reserves)<br>Effective from the fiscal year under review, the Company has applied “Accounting Standards for Presentation of Net Assets on the Balance Sheet” (issued by the Accounting Standards Board of Japan on December 9, 2005, ASBJ Statement No. 5), “Implementation Guidelines on Accounting Standards for Presentation of Net Assets on the Balance Sheet” (issued by the Accounting Standards Board of Japan on December 9, 2005, ASBJ Guideline No. 8), the revised “Accounting Standard for Treasury Shares and Appropriation of Legal Reserve” (issued by the Accounting Standards Board of Japan on August 11, 2006, ASJB Statement No. 1), and “Implementation Guidance on Accounting Standard for Treasury Shares and Appropriation of Legal Reserve” (issued by the Accounting Standards Board of Japan on August 11, 2006, ASJB Statement No. 2).<br>There was no impact on the Company’s profit and loss due to these changes.<br>The amount relevant to “total shareholders’ equity” was valued at 71,048 million yen.<br>Net assets on the consolidated balance sheet during the fiscal year under review were prepared in compliance with the revised and current Regulations Concerning Consolidated Financial Statements. | ――― |

| Fiscal 2007<br>(From April 1, 2006 to March 31, 2007) | Fiscal 2008<br>(From April 1, 2007 to March 31, 2008) |
|---|---|
| (Accounting Standards for Business Combinations)<br>Effective from the fiscal year under review, the Company has applied “Accounting Standards for Business Combinations” (issued by the Business Accounting Council of Japan on October 31, 2003), “Accounting Standard for Business Divestitures” (issued by the Accounting Standards Board of Japan on December 27, 2005, ASBJ Statement No. 7), and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (issued by the Accounting Standards Board of Japan on December 27, 2005, ASBJ Statement No. 10).<br>Changes in the presentation of consolidated financial statements resulting from revisions of the Regulations Concerning Consolidated Financial Statements are described below.<br><br>(Consolidated Balance Sheet)<br>Effective from this fiscal year under review, consolidated adjustments are presented as goodwill or negative goodwill.<br>Assets that had been included in intangible fixed assets as goodwill are presented as goodwill.<br><br>(Consolidated Statements of Income)<br>Effective from this fiscal year under review, the amortization of consolidation adjustments that had been presented as non-operating income until the preceding consolidated fiscal year, is now classified as “amortization expenses for goodwill” under selling, general and administrative expenses, and “amortization expenses for negative goodwill” under non-operating income.<br>Consequently, operating income decreased by 668 million yen, but had no impact on ordinary income.<br>The impact on segmental information is described where relevant.<br><br>(Consolidated Statements of Cash Flows)<br>Effective from this fiscal year under review, the amortization of consolidation adjustments is presented as amortization expenses for goodwill or those for negative goodwill.<br>Expenses that had been included in depreciation as amortization for goodwill are now included in amortization expenses for goodwill. | ――――― |
| (Accounting Standards for Stock Options)<br>Effective from the fiscal year under review, the Company has applied “Accounting Standard for Share-based Payment” (issued by the Accounting Standards Board of Japan on December 27, 2005, ASBJ Statement No. 8) and “Implementation Guidance on Accounting Standard for Share-based Payment” (issued by the Accounting Standards Board of Japan revised on May 31, 2006, ASBJ Guidance No. 11). The effect of this application was to reduce operating income, ordinary income, and current net income before taxes by 21 million yen.<br>The impact on segmental information is described where relevant. | ――――― |

(Change in Presentation Method )

| Fiscal 2007 (From April 1, 2006 to March 31, 2007) | Fiscal 2008 (From April 1, 2007 to March 31, 2008) |
|---|---|
| (Consolidated Statements of Income)<br>The description of “Information sales income” as an item in non-operating income that had been presented as “fee income” until the preceding consolidated fiscal year, was changed to clarify the details. | ――― |
| (Consolidated Statements of Cash Flows)<br>The account presented as “fee income” in cash flows from operating activities up to the preceding fiscal year has been changed to “research fee income” and “research fees received” to make clear the account details. | ――― |

(Additional information)

| Fiscal 2007 (From April 1, 2006 to March 31, 2007) | Fiscal 2008 (From April 1, 2007 to March 31, 2008) |
|---|---|
| (Abolishment of System for Accrued Retirement Benefits for Directors and Corporate Auditors)<br>The Company submitting consolidated financial statements and five consolidated subsidiaries (Tsuruhara Yoshii, Yakushin, SANUS, Godo Toho, and Koyo) have resolved at general shareholders meetings held during this fiscal year under review to abolish their systems for accrued retirement benefits for directors and corporate auditors, as of the end of those general meetings in order to terminate payment.<br>The difference between the accrued retirement benefits when the resolutions were adopted and the amount of payment specified in the resolution (192 million yen) was posted as a reversal of accrued retirement benefits for directors and corporate auditors.<br>Honma Toho, Yamaguchi Toho, and Ogawa Toho have resolved at general shareholders meetings held during this fiscal year under review to make payments of retirement benefits to directors and corporate auditors upon their retirement.<br>Regarding the amount to be paid as retirement benefits to directors and corporate auditors as of the end of said general meetings, 17 million yen was presented as “others” in current liabilities, and 1,162 million yen as “others” in fixed assets. | ――― |

## (7) Notes to Consolidated Financial Statements
### (Consolidated balance sheet relation)

**Fiscal 2007 (March 31, 2007)**

(Note 1) Accumulated depreciation of property, plant and equipment: 20,959 million yen

(Note 2) Investments in non-consolidated subsidiaries and affiliates:

Investment in securities 1,375 million yen

(Note 3) Assets pledged as collateral:

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

(Note 4) Liabilities guaranteed

① Bank loans guaranteed

| | |
|---|---|
| Wakaba | 387 million yen |
| Alf & 3 other cases | 239 million yen |
| Total | 626 million yen |

② Accounts payable guaranteed

| | |
|---|---|
| Kensho | 494 million yen |
| Tsubasa | 302 million yen |
| Total | 796 million yen |

**Fiscal 2008 (March 31, 2008)**

(Note 1) Accumulated depreciation of property, plant and equipment: 22,065 million yen

(Note 2) Investments in non-consolidated subsidiaries and affiliates:

Investment in securities 7,249 million yen

(Note 3) Assets pledged as collateral:

| Classified assets pledged (million yen) | | Liabilities secured by collateral (million yen) | |
|---|---|---|---|
| Time deposits | 611 | Notes and accounts payable | 20,031 |
| Buildings | 2,234 | | |
| Land | 5,586 | | |
| Investment securities | 2,173 | | |
| Buildings | 70 | Short-term loans payable and long-term debt (including current portion of long-term debt due within one year) | 1,116 |
| Land | 1,379 | | |
| Investment securities | 3,686 | | |
| Total | 15,742 | Total | 21,147 |

(Note 4) Liabilities guaranteed

① Bank loans guaranteed

| | |
|---|---|
| Wakaba | 325 million yen |
| Alf & 2 other cases | 319 million yen |
| Total | 645 million yen |

② Accounts payable guaranteed

| | |
|---|---|
| Kensho | 800 million yen |
| Tsubasa & other case | 225 million yen |
| Total | 1,025 million yen |

③ Leases guaranteed

| | |
|---|---|
| Shinanokai | 19 million yen |

| Fiscal 2007<br>(March 31, 2007) | Fiscal 2008<br>(March 31, 2008) |
|---|---|
| (Note 5) Pursuant to the "Law concerning Land Revaluation" (Law No. 34, promulgated on March 31, 1998) and the "Law for Partial Revision of Law concerning Land Revaluation" (Law No. 19, promulgated on March 31, 2001), the Company revalued its land used for business purposes and accordingly recorded in shareholders' equity under "unrealized gains on revaluation of land" the amount of revaluation difference in value and net "deferred tax assets due to revaluation."<br><br>Method of revaluation:<br>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).<br>Date of revaluation: March 31, 2002<br>Difference in value of land revalued between market and revalued book value at fiscal year-end: 2,096 million yen<br><br>(Note 6) The Company has been lending commitment agreements with 11 trading banks to facilitate efficient procurement of working funds.<br>Lending commitments 12,000 million yen<br>Balance borrowed ー million yen<br>Total remainder 12,000 million yen<br><br>(Note7) As for accounting methods for notes due at the end of the fiscal year under review, the final day of this fiscal year fell on a bank holiday, but notes due on this day were processed as settled on the due date.<br>The values of notes due at the end of the fiscal year under review are given below.<br>Notes receivable 971 million yen<br>Notes payable 315 million yen | (Note 5) Pursuant to the "Law concerning Land Revaluation" (Law No. 34, promulgated on March 31, 1998) and the "Law for Partial Revision of Law concerning Land Revaluation" (Law No. 19, promulgated on March 31, 2001), the Company revalued its land used for business purposes and accordingly recorded in shareholders' equity under "unrealized gains on revaluation of land" the amount of revaluation difference in value and net "deferred tax assets due to revaluation."<br><br>Method of revaluation:<br>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).<br>Date of revaluation: March 31, 2002<br>Difference in value of land revalued between market and revalued book value at fiscal year-end: 2,056 million yen<br><br>(Note 6) The Company has been lending commitment agreements with 11 trading banks to facilitate efficient procurement of working funds.<br>Lending commitments 12,000 million yen<br>Balance borrowed ー million yen<br>Total remainder 12,000 million yen |

(Notes to Consolidated Statements of Income)

<table>
<tr><th>Fiscal 2007<br>(From April 1, 2006 to March 31, 2007)</th><th>Fiscal 2007<br>(From April 1, 2006 to March 31, 2007)</th></tr>
<tr><td>

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

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

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

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

(Note 3) Impairment losses

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

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

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

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

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

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

</td><td>

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

| | |
|---|---|
| Gain on sale of land | 255 million yen |

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

| | |
|---|---|
| Loss on retirement of buildings Loss on retirement of buildings | 199 million yen |
| Loss on retirement of vehicles and carriers | 15 million yen |
| Loss on sale of buildings | 12 million yen |
| Loss on sale of land | 81 million yen |
| Loss on sale of intangible fixed assets | 3 million yen |
| Total | 312 million yen |

(Note 3) Impairment losses

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

| Location | Purpose | Class |
|---|---|---|
| Ichioka Branch (Minato Ward, Osaka City, Osaka Prefecture) and 2 other sites | Real estate for business use | Land and buildings |
| Nishi Ward, Hiroshima City, Hiroshima Prefecture | Real estate for rental use | Land and buildings |
| Former Kitakyushu Branch | Real estate unused | Land and buildings |

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

The Group reduced to the recoverable amount the book value of business-use real estate whose sale following office relocation was decided during the fiscal year under review, and recognized an impairment loss of 72 million yen on that real estate. It comprised 36 million yen on land and 35 million yen on building. The recoverable amount was measured on the basis of the scheduled sale price.

The Group reduced to the recoverable amount the book value of rental-use real estate whose sale was decided during the fiscal year under review, and recognized an impairment loss of 101 million yen on that real estate. It comprised 58 million yen on land and 42 million yen on building. The recoverable amount was measured on the basis of the scheduled sale price.

An impairment loss of 166 million yen was recognized in relation to the real estate unused, primarily with the consolidation of properties for business use in association with business integration. It comprised 164 million yen on land and 2 million yen on buildings. The Group measures recoverable amounts on the basis of net sales prices. The Group measures recoverable amounts on the basis of net sales prices. The recoverable amounts were based on assessments supplied by real estate appraisers, but some assets whose assessments proved insignificant were assessed in reference to tax assessments of fixed assets.

The portion of assets scheduled for sale was measured on the basis of the scheduled sale price.

</td></tr>
</table>

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

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

(Note) 1. The increase in the total number of outstanding common stocks (to 6,061,000) reflects the 5,841,000 newly issued stocks due to the stock swap with Tsuruhara Yoshii and an increase of 220,000 stocks due to the conversion of warrant bonds to common stocks.
2. The increase in treasury stocks of common stocks (to 1,156,000) reflects an increase of 6,000 stocks due to the reacquisition of odd stocks, shareholdings of 41,000 shares by subsidiaries newly added to consolidation, and 1,109,000 stocks from reacquisition pursuant to board meeting resolutions.

2. Subscription rights to shares and treasury shares

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

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

3. Dividends
(1) Dividend Payment

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

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

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

Fiscal 2008 (From April 1, 2007 to March 31, 2008)

1. Types and total number of outstanding stocks, and types and number of treasury stocks

| Types of stocks | No. of stocks as of end of fiscal 2007 (in thousand stocks) | No. of stocks increased during fiscal 2008 (in thousand stocks) | No. of stocks decreased during fiscal 2008 (in thousand stocks) | No. of stocks as of the end of this term (in thousand stocks) |
|---|---|---|---|---|
| Outstanding stocks | | | | |
| Common stocks (No1) | 59,219 | — | — | 59,219 |
| Total | 59,219 | — | — | 59,219 |
| Treasury stock | | | | |
| Common stocks (No 2) | 2,253 | 1,004 | — | 2,089 |
| Total | 2,253 | 1,004 | — | 2,089 |

(Note) 1. The increase in treasury stocks of common stocks (to 1,004,000) reflects an increase of 4,000 stocks due to the reacquisition of odd stocks, and 1,000,000 stocks from reacquisition pursuant to board meeting resolutions.

2. The decrease of 1,168,000 common shares in treasury stock consists of a decrease of 199,000 shares of substitute treasury stock delivered in association with stock swap with Honma Toho and a decrease of 968,000 shares of substitute treasury stock delivered in association with the stock swap with Koyo.

2. Subscription rights to shares and treasury shares

| Account | Details of subscription rights to shares | Types of subscription rights to shares | Number of subscription rights to shares (in thousand stock) | | | | Balance at end of this term (million yen) |
|---|---|---|---|---|---|---|---|
| | | | End of fiscal 2007 | fiscal 2008 (Increase) | fiscal 2008 (Decrease) | End of this term | |
| Toho Pharmaceutical Co., Ltd. | Yen-denominated convertible bonds with subscription rights to shares due October 2, 2009 (note 1) | Common stock | 5,289 | — | — | 5,289 | — |
| | Subscription rights to shares as stock options (note 2) | — | — | — | — | — | 54 |
| Consolidated subsidiaries | — | — | — | — | — | — | — |
| Total | | | 5,289 | — | 220 | 5,289 | 54 |

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

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

3. Dividends

(1) Dividend Payment

| Resolution | Type of shares | Total dividend amount (million yen) | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| May 18, 2007 Board of directors | Common stock | 341 | 6 | March 31, 2007 | Jun 29, 2007 |
| November 8, 2007 Board of directors | Common stock | 447 | 8 | September 30, 2007 | December 10, 2007 |

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

| Resolution | Type of shares | Total dividend amount (million yen) | Source of dividend | Dividend per share (yen ) | Record date | Effective date |
|---|---|---|---|---|---|---|
| May 9, 2008 Board of directors | Common stock | 457 | Retained earnings | 8 | March 31, 2008 | June 9, 2008 |

(Notes to Interim Consolidated Statements of Cash Flows)

| Fiscal 2007<br>(From April 1, 2006 to March 31, 2007) | | Fiscal 2008<br>(From April 1, 2007 to March 31, 2008) | |
|---|---|---|---|
| (1) Reconciliation between cash and cash equivalents at the end of the fiscal year and amounts of related accounts in Consolidated Balance Sheet | | (1) Reconciliation between cash and cash equivalents at the end of the fiscal year and amounts of related accounts in Consolidated Balance Sheet | |
| | (As of March 31, 2007)<br>(million yen) | | (As of March 31, 2008)<br>(million yen) |
| Cash on hand and on deposit | 42,449 | Cash on hand and on deposit | 16,742 |
| Time deposits maturing beyond three months of deposit | -1,016 | Time deposits maturing beyond three months of deposit | -1,389 |
| Short-term investments (investment securities) becoming due within three months of acquisition | 1,996 | Short-term investments (investment securities) becoming due within three months of acquisition | 498 |
| Cash and cash equivalents | 43,429 | Cash and cash equivalents | 15,851 |
| (2) Major components of assets and liabilities of companies made into newly consolidated subsidiaries as a result of the acquisition of stock<br>Components of assets and liabilities at consolidation of newly acquired stock, and cost and net balance of acquisition: | | (2) Major components of assets and liabilities of companies made into newly consolidated subsidiaries as a result of the acquisition of stock<br>Components of assets and liabilities at consolidation of newly acquired stock, and cost and net balance of acquisition: | |
| | (million yen) | | (million yen) |
| ・Toyaku | | ・Chuoh Medical | |
| Current assets | 691 | Current assets | 1,257 |
| Fixed assets | 220 | Fixed assets | 676 |
| Goodwill | 1,830 | Goodwill | 1,813 |
| Current liabilities | -623 | Current liabilities | -704 |
| Fixed liabilities | -214 | Fixed liabilities | -923 |
| Minority equity | -29 | Minority equity | -120 |
| Acquisition price of stock in Toyaku | 1,875 | Acquisition price of stock in Chuoh Medical | 2,000 |
| Toyaku's cash and cash equivalents | -33 | Chuoh Medical's cash and cash equivalents | -475 |
| Balance: Net payment for acquisition of stock in Toyaku | 1,841 | Balance: Net payment for acquisition of stock in Chuoh Medical | 1,524 |
| | | | (million yen) |
| | | ・Mori Pharmaceutical | |
| | | Current assets | 4,028 |
| | | Fixed assets | 857 |
| | | Goodwill | 1,164 |
| | | Current liabilities | -4,448 |
| | | Fixed liabilities | -418 |
| | | Minority equity | 1,184 |
| | | Acquisition price of stock in Mori Pharmaceutical | -1,278 |
| | | Mori Pharmaceutical's cash and cash equivalents | -93 |
| | | Balance: Net payment for acquisition of stock in Mori Pharmaceutical | 4,028 |

<table>
<tr><th>Fiscal 2007<br>(From April 1, 2006 to March 31, 2007)</th><th>Fiscal 2008<br>(From April 1, 2007 to March 31, 2008)</th></tr>
<tr><td>(4) Significant non-cash transactions<br>① Exercise of equity warrants<br>(million yen)<br>Increase in capital stock due to exercised equity warrants 200<br>Increase in capital surplus due to exercised equity warrants 199<br>Decrease in warrant bonds due to exercised equity warrants 400<br><br>② Major components of assets and liabilities acquired as a result of stock swap<br>Assets and liabilities acquired as a result of swapping stocks with Tsuruhara Yoshii during the fiscal year under review are shown below.<br>The stock swap was responsible for an increase in capital surplus (legal capital surplus) of 9,083 million yen.<br>(million yen)<br>Current assets 15,479<br>Fixed assets 7,367<br>Total assets 22,846<br><br>Current liabilities 13,629<br>Fixed liabilities 1,530<br>Total liabilities 15,160<br><br>③ Assets and debt affecting the finance lease transaction that appropriated newly are 843 million yen in this term.</td><td>―――――</td></tr>
</table>

(Segmental Information)

1. Segmental Information according to Types of Business

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

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

Fiscal 2008 (from April 1, 2007 to March 31, 2008)

| | Pharmaceutical Wholesaling (million yen) | Dispensing Pharmacy (million yen) | Information Processing (million yen) | CRO and SMO (million yen) | Total (million yen) | Eliminations or corporate (million yen) | Consolidated (million yen) |
|---|---|---|---|---|---|---|---|
| I. Net sales and Operating expense (income) | | | | | | | |
| Net Sales | | | | | | | |
| (1) Net sales to external customers | 789,082 | 15,574 | 63 | 699 | 805,419 | — | 805,419 |
| (2) Inter-segment internal net sales or transfers | 5,672 | — | 852 | — | 6,524 | ( 6,524) | — |
| Total | 794,755 | 15,574 | 915 | 699 | 811,944 | ( 6,524) | 805,419 |
| Operating expense | 784,637 | 14,598 | 873 | 819 | 800,929 | ( 5,779) | 795,149 |
| Operating income | 10,117 | 976 | 42 | □120 | 11,015 | ( 745) | 10,269 |
| II. Assets, depreciation and amortization, impairment loss, and capital expenditure | | | | | | | |
| Assets | 358,253 | 9,735 | 296 | 2,047 | 370,333 | 16,939 | 387,273 |
| Depreciation and amortization | 1,922 | 88 | 23 | 54 | 2,088 | ( 11) | 2,077 |
| Impairment loss | 339 | — | — | — | 339 | — | 339 |
| Capital expenditure | 1,936 | 285 | 51 | 41 | 2,314 | — | 2,314 |

Reclassification and Renaming of Business Operations

In past years, the Company's dispensing pharmacy operations were classified into the segment called Pharmaceutical. Since the Company has expanded and enhanced dispensing pharmacy operations, however, both their net sales and operating income have grown to levels considered to be significant, so these operations are reclassified effective with the current fiscal year.

This reclassification involves the renaming of Pharmaceutical to Pharmaceutical Wholesaling.
Under the same classification system that applies to the fiscal year under review, the full-year Segmental Information according to Types of Business during the preceding fiscal year is restated as follows:

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

| | Pharmaceutical Wholesaling (million yen) | Dispensing Pharmacy (million yen) | Information Processing (million yen) | CRO and SMO (million yen) | Total (million yen) | Eliminations or corporate (million yen) | Consolidated (million yen) |
|---|---|---|---|---|---|---|---|
| Net sales | | | | | | | |
| (1) Net sales to external customers | 760,140 | 12,245 | 89 | 960 | 773,436 | — | 773,436 |
| (2) Inter-segment internal net sales or transfers | 4,281 | — | 882 | — | 5,164 | (5,164) | — |
| Total | 764,422 | 12,245 | 972 | 960 | 778,600 | (5,164) | 773,436 |
| Operating expense | 754,713 | 11,800 | 918 | 1,042 | 768,474 | (4,373) | 764,101 |
| Operating income | 9,708 | 445 | 53 | -81 | 10,126 | (791) | 9,335 |
| II. Assets, depreciation and amortization, impairment loss, and capital expenditure | | | | | | | |
| Assets | 373,609 | 6,299 | 286 | 2,232 | 380,939 | 14,019 | 396,447 |
| Depreciation and amortization | 1,881 | 77 | 1 | 50 | 2,011 | (11) | 2,000 |
| Impairment loss | 222 | 262 | — | — | 485 | — | 485 |
| Capital expenditure | 2,968 | 121 | 9 | 59 | 3,159 | ( 3) | 3,156 |

(Notes) 1. Business operations are segmented according to the types of products sold and services provided.

2. Major operations of each business segment:
   - (1) Pharmaceutical Wholesaling... Sales of pharmaceuticals, narcotics, reagents, etc., and sales of medical devices,
   - (2) Dispensing Pharmacy.............. National Health Insurance pharmacies, home medical care services, and sales of pharmaceuticals
   - (3) Information Processing............ Information processing and development and sales of computer applied technology
   - (4) CRO and SMO........................ SMO and CRO services

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

| | Fiscal 2007 (million yen) | Fiscal 2008 (million yen) | Major operations |
|---|---|---|---|
| Operating expenses non-allocatable, included in eliminations or corporate | 830 | 870 | 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 | 16,259 | 19,513 | Surplus funds under management (fixed deposits) and funds in long-term investments (investment securities, etc.) of the Company submitting Consolidated Financial Statements and assets carried by the administration division |

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

5. Changes in accounting policy

Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008)

As stipulated in “The Basis of Presenting Interim Consolidated Financial Statements 4. Accounting Principles (2) Method of Depreciation of Significant Depreciable Assets ① Property, Plants, and Equipment,” effective from the fiscal year under review, the Company has changed methods for the depreciation of tangible fixed assets. The impact on income as a result of this change was insignificant

Fiscal 2007 (From Apr 1, 2006 to Mar 31, 2007)

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

Effective from the fiscal year under review, the Company has applied “Accounting Standards for Business Combinations” (issued by the Business Accounting Council of Japan on October 31, 2003), “Accounting Standards for Business Divestitures” (issued by the Accounting Standards Board of Japan on December 27, 2005, ASBJ Statement No. 7), and “Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures” (issued by the Accounting Standards Board of Japan and revised most recently on December 22, 2006, ASBJ Guidance No. 10). The effect of this application was to increase operating expenses by 666 million yen and reduce operating income by the same amount in this consolidated fiscal year for pharmaceutical operations. In addition, the effect of this application was to increase operating expenses by 2 million yen and reduce operating income by the same amount for CRO and SMO operations.

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

2. Segmental Information according to Geographical Locations

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

Fiscal 2008 (from April 1, 2007 to March 31, 2008)
This disclosure is not applicable, because all the Group's consolidated subsidiaries are located in Japan.

3. Overseas Sales

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

Fiscal 2008 (from April 1, 2007 to March 31, 2008)
This disclosure is not applicable, because the Group generates no sales outside Japan.

(Notes to Leases Transactions)

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

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

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

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

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

Presumed year-end balance of unaccrued lease payments

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

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

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

(4) Method of calculating presumed depreciation

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

(5) Method of calculating presumed interest expense

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

(Impairment loss)

No impairment loss attributable to lease assets was recognized.

**Fiscal 2008**
**(From April 1, 2007 to March 31, 2008)**

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

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

| | Presumed acquisition cost (million yen) | Presumed accumulated depreciation (million yen) | Presumed balance at year-end (million yen) |
|---|---|---|---|
| Vehicles and carriers | 38 | 13 | 24 |
| Equipment and fixtures | 7,225 | 3,585 | 3,640 |
| Intangible fixed assets (software) | 62 | 20 | 42 |
| Total | 7,326 | 3,619 | 3,707 |

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

Presumed year-end balance of unaccrued lease payments

| | |
|---|---|
| Within one year | 1,062 million yen |
| One year or more | 2,705 million yen |
| Total | 3,768 million yen |

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

| | |
|---|---|
| Lease payment | 1,222 million yen |
| Presumed depreciation | 1,156 million yen |
| Presumed interest expense | 84 million yen |

(4) Method of calculating presumed depreciation

Same as in left column.

(5) Method of calculating presumed interest expense

Same as in left column.

(Impairment loss)

Same as in left column.

(Transactions with Related Parties)
Fiscal 2007 (From April 1, 2006 to March 31, 2007)
(1) Directors, Corporate Auditors, Individual Shareholders

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

(Note) 1. Transactions were conducted in the capacity of a representative of Toho Pharmaceutical, and subject to the same terms and conditions that applied to parties unrelated to the Company.
2. Rent was determined via negotiations on the basis of prevailing neighborhood market rates.

(2) Subsidiaries

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

(Note) Pharmaceuticals were sold subject to the same terms and conditions that applied to parties unrelated to the Company.
(Note) Receivables are gross of consumption taxes but amounts of transactions are net of consumption taxes.

Fiscal 2008 (From April 1, 2007 to March 31, 2008)
(1) Directors, Corporate Auditors, Individual Shareholders

| Attribute | Name of company or other | Address | Capital or stock or cash investment | Description of business or occupation | Voting ownership (Under control) (%) | Relationship | | Transactions | Amount of transactions | Account | Balance at year-end |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Directors shared | Business relationship | | | | |
| Director | Muchio Nakasato | — | — | Toho Pharmaceutical's director Representative director of Shouei | (Under control) Direct ownership 0.0 | — | — | Sales of pharmaceuticals to Shouei (Note 1) | 38,747 | Trade receivables | 13,367 |
| Directors and close relatives' ownership of voting rights exceeds 50% based on their own estimate | Sue Pharma ceutical | Midori City, Gunma | 30 | Pharmaceutical wholesaling | Direct 10.0 | One director shared | Supplied by Toho Pharmaceutical with pharmaceuticals | Sales Transaction (Note 2) | 6,322 | Trade receivables<br>Accrued amount payable | 1,607<br>100 |

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

(2) Subsidiaries

| Attribute | Name of company or other | Address | Capital or stock or cash investment | Description of business or occupation | Voting ownership (Under control) (%) | Relationship | | Transactions | Amount of transactions | Account | Balance at year-end |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Directors shared | Business relationship | | | | |
| Affiliate | Sakai Yakuhin | Mitaka City, Tokyo | 60 | Pharmaceutical wholesaling | Direct 35.0 | Four directors shared | Supplied by Toho Pharmaceutical with pharmaceuticals | Sales transactions (Note) | 14,653 | Trade receivable | 5,533 |

(Note) Pharmaceuticals were sold subject to the same terms and conditions that applied to parties unrelated to the Company.
(Note) Receivables are gross of consumption taxes but amounts of transactions are net of consumption taxes.

(Notes to Tax Effect Accounting)

**Fiscal 2007 (March 31, 2007)**

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

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

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

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

**Fiscal 2008 (March 31, 2008)**

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

| | (million yen) |
|---|---|
| Deferred tax assets (current assets) | |
| Accrued expenses | 138 |
| Enterprise tax payable | 255 |
| Accrued bonuses | 1,017 |
| Other | 234 |
| Total | 1,645 |
| Valuation reserve | -30 |
| Subtotal | 1,614 |
| Deferred tax assets (fixed assets) | |
| Allowance for doubtful receivables | 260 |
| Investment securities | 269 |
| Accrued retirement benefits for employees | 1,354 |
| Other long-term liabilities | 624 |
| Loss carried forward for tax purposes | 551 |
| Revaluation reserve for land to be sold | 144 |
| Impairment loss | 613 |
| Other | 226 |
| Total | 4,044 |
| Valuation reserve | -1,773 |
| Subtotal | 2,270 |
| Total deferred tax assets | 3,885 |
| Deferred tax liabilities (long-term liabilities) | |
| Deferred capital gains on land | -918 |
| Land and other revaluation difference due to capital consolidation of subsidiaries | -5,970 |
| Revaluation difference on available-for-sale securities | -2,552 |
| Other | -642 |
| Total deferred tax liabilities | -10,083 |
| Net deferred tax liabilities | -6,198 |

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

| | (%) |
|---|---|
| Statutory effective tax rate | 40.5 |
| (Adjustments) | |
| Entertainment expense and other items not permanently included in expense | 1.8 |
| Dividend income and other items not permanently included in income | -0.5 |
| Increase(decrease) in valuation reserve | -5.3 |
| Amortization of goodwill | 1.9 |
| Amortization of negative goodwill | -3.2 |
| Per-capita inhabitant tax | 0.9 |
| Increase from review of deferred income tax assets | -0.8 |
| Other | -0.4 |
| Tax and other burden rate after application of tax effect accounting | 34.9 |

(Notes to Marketable Securities)

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

| | Types | Fiscal 2007 (March 31, 2007) | | | Fiscal 2008 (March 31, 2008) | | |
|---|---|---|---|---|---|---|---|
| | | consolidated balance sheet value (million yen) | Market value (million yen) | Difference (million yen) | consolidated balance sheet value (million yen) | Market value (million yen) | Difference (million yen) |
| Market value exceeding consolidated balance sheet value | (1) Government and municipal bonds | — | — | — | — | — | — |
| | (2) Corporate bonds | — | — | — | — | — | — |
| | (3) Others | — | — | — | — | — | — |
| | Subtotal | — | — | — | — | — | — |
| Market value not exceeding consolidated balance sheet value | (1) Government and municipal bonds | — | — | — | — | — | — |
| | (2) Corporate bonds | 1,300 | 1,244 | -55 | 1,300 | 1,272 | -27 |
| | (3) Others | — | — | — | — | — | — |
| | Subtotal | 1,300 | 1,244 | -55 | 1,300 | 1,272 | -27 |
| Total | | 1,300 | 1,244 | -55 | 1,300 | 1,272 | -27 |

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

| | Types | Fiscal 2007 (March 31, 2007) | | | Fiscal 2008 (March 31, 2008) | | |
|---|---|---|---|---|---|---|---|
| | | Acquisition cost (million yen) | consolidated balance sheet value (million yen) | Difference (million yen) | Acquisition cost (million yen) | consolidated balance sheet value (million yen) | Difference (million yen) |
| Consolidated balance sheet value exceeding acquisition cost | (1) Stocks | 5,241 | 15,173 | 9,932 | 5,464 | 12,095 | 6,630 |
| | (2) Bonds | | | | | | |
| | Government and municipal bonds | — | — | — | — | — | — |
| | Corporate bonds | — | — | — | — | — | — |
| | Others | — | — | — | — | — | — |
| | (3) Others | 12 | 16 | 3 | 0 | 1 | 0 |
| | Subtotal | 5,254 | 15,190 | 9,936 | 5,465 | 12,096 | 6,630 |
| Consolidated balance sheet value not exceeding acquisition cost | (1) Stocks | 1,208 | 1,007 | □200 | 2,266 | 1,906 | □360 |
| | (2) Bonds | | | | | | |
| | Government and municipal bonds | — | — | — | — | — | — |
| | Corporate bonds | — | — | — | — | — | — |
| | Others | — | — | — | — | — | — |
| | (3) Others | 48 | 48 | -0 | 85 | 74 | -10 |
| | Subtotal | 1,256 | 1,055 | -200 | 2,351 | 1,981 | -370 |
| Total | | 6,510 | 16,246 | 9,735 | 7,817 | 14,077 | 6,260 |

(Note)
1. Acquisition costs at the end of fiscal 2007 are adjusted for impairments of 11 million yen.
2. Acquisition costs at the end of fiscal 2008 are adjusted for impairments of 14 million yen.
3. An impairment adjustment is applied if the market value at the end of the fiscal year is more than about 50% lower than the acquisition cost. If the market value is about 30 to 50% lower than the acquisition cost, an impairment adjustment is applied, provided that the average of all end-of-month market values during the past year proves to be more than 30% lower than the acquisition cost.

3. Other available-for-sale securities unloaded during fiscal 2008

| | Fiscal 2007 (From April 1, 2006 to March 31, 2007) | Fiscal 2008 (From April 1, 2007 to March 31, 2008) |
|---|---|---|
| Amount sold (million yen) | 75 | 464 |
| Total gains on sales (million yen) | 54 | 76 |
| Total losses on sales (million yen) | 0 | — |

4. Major securities instruments with no available fair market value

| | Fiscal 2007 (March 31, 2007) | Fiscal 2008 (March 31, 2008) |
|---|---|---|
| | consolidated balance sheet value (million yen) | consolidated balance sheet value (million yen) |
| Available-for-sale securities | | |
| Unlisted stocks | 11,153 | 10,673 |
| Unlisted bonds | — | 400 |
| Money trusts | 1,500 | — |
| Money management funds | 496 | 498 |
| Total | 13,150 | 11,572 |

(Note)
1. Stocks with no available fair market value at the end of fiscal 2007 are adjusted for impairments of 0 million yen.
2. Stocks with no available fair market value at the end of fiscal 2008 are adjusted for impairments of 0 million yen.
3. Unless evidence is found showing that the effective value of stock may recover the acquisition cost, a decline of more than 50% in the per-share net assets of the issuer of stock at the end of its most recent fiscal year compared with the per-share acquisition cost requires an impairment adjustment.

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

| | Fiscal 2007(March 31, 2007) | | | | Fiscal 2008(March 31, 2008) | | | |
|---|---|---|---|---|---|---|---|---|
| | Due within 1 year | Due beyond 1 year and within 5 years | Due beyond 5 years and within 10 years | Due beyond 10 years | Due within 1 year | Due beyond 1 year and within 5 years | Due beyond 5 years and within 10 years | Due beyond 10 years |
| (1) Stocks | | | | | | | | |
| Bonds | — | — | — | — | — | — | — | — |
| Government and municipal bonds Corporate bonds | — | 500 | 500 | 300 | — | 1,400 | — | 300 |
| Others | — | — | — | — | — | — | — | — |
| (2) Others | — | — | — | — | — | 25 | — | — |
| Total | — | 500 | 500 | 300 | — | 1,426 | — | 300 |

(Notes to Derivatives Transactions)

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

1. Status of Derivatives Transactions

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

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

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

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

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

2. Market Values of Transactions

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

Fiscal 2008 (from April 1, 2007 to March 31, 2008)

1. Status of Derivatives Transactions

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

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

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

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

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

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

(Notes to Retirement Benefits)

| Fiscal 2007 (March 31, 2007) | Fiscal 2008 (March 31, 2008) |
|---|---|
| 1. Description of retirement benefit arrangements adopted<br>The Company submitting Consolidated Financial Statements and consolidated subsidiaries provide the defined benefit arrangements that comprise employees' pension fund, tax qualified retirement annuity, and lump-sum severance allowance programs, as well as defined contributory arrangements that comprise a defined contributory pension program.<br>One consolidated subsidiary switched over from lump-sum severance allowance program to a defined contributory pension program during this fiscal year under review. | 1 . Description of retirement benefit arrangements adopted<br>The Company submitting Consolidated Financial Statements and consolidated subsidiaries provide the defined benefit arrangements that comprise employees' pension fund, tax qualified retirement annuity, and lump-sum severance allowance programs, as well as defined contributory arrangements that comprise a defined contributory pension program.<br>One consolidated subsidiary switched over from lump-sum severance allowance program to a defined contributory pension program during this fiscal year under review.<br><br>・Matters relating to a multiple business owners system that treats necessary contributions as retirement benefit expenses (million yen)<br>(1) Funded status of the entire system<br>(as of March 31, 2007)<br>Pension assets 942,701<br>Benefit obligations in pension finances 946,942<br>Difference -4,240<br><br>(2) Ratio of premium contributions of the Group to all premium contributions in the entire system<br>(From March 1, 2008 to March 31, 2008)<br>3.0% |

2. Retirement benefit liability

| (As of March 31, 2007) (million yen) | | (As of March 31, 2008) (million yen) | |
|---|---|---|---|
| a. Retirement benefit liability | -6,902 | a. Retirement benefit liability | -4,531 |
| b. Pension plan assets (including retirement benefit trust) | 4,508 | b. Pension plan assets (including retirement benefit trust) | 2,799 |
| c. Unfunded retirement benefit liability (a + b) | -2,394 | c. Unfunded retirement benefit liability (a + b) | -1,731 |
| d. Unrecognized actuarial difference | -352 | d. Unrecognized actuarial difference | -46 |
| e. Unrecognized past service cost (reduced liability) | — | e. Unrecognized past service cost (reduced liability) | — |
| f. Consolidated Balance Sheet net total (c + d + e) | -2,747 | f. Consolidated Balance Sheet net total (c + d + e) | -1,778 |
| g. Prepaid pension expenses | 259 | g. Prepaid pension expenses | 316 |
| h. Accrued retirement benefits (f - g) | -3,006 | h. Accrued retirement benefits (f - g) | -2,095 |

**Fiscal 2007:**

(Note) 1. Some consolidated subsidiaries adopt a simplified method of computing retirement benefit liabilities.

2. Godo Toho (consolidated subsidiary) shifted entirely to a defined contributory pension program. In connection with this shift, it adopted a transitional program to pay retirement-age employees (still active on the payroll at the time of the switchover) lump-sum severance allowances in the amount of a portion of all benefits attributable to past service, upon their retirement. This involved recognition of the relevant retirement benefit liability as of the end of March 2007 to prepare for the payment of retirement benefits to these employees.

3. Effects due to switchover from lump-sum severance allowance program to defined contributory program:

| | |
|---|---|
| Decrease in retirement benefit liability | 601 |
| Decrease in unrecognized actuarial difference | — |
| Decrease in plan assets | — |
| Decrease in accrued retirement benefits | 601 |

The transfer of assets (estimated at 698 million yen) to the defined contributory program is scheduled for completion over a future period of four years. The amount yet to be transferred at the end of the fiscal year under review (estimated at 523 million yen) was included in current liabilities under "Other" and in long-term liabilities under "Other."

**Fiscal 2008:**

(Note) 1. Same as in left column

2. Effects due to switchover from a tax qualified retirement annuity program or lump-sum severance allowance program to defined contributory program:

| | |
|---|---|
| Decrease in retirement benefit liability | 2,357 |
| Decrease in unrecognized actuarial difference | 152 |
| Decrease in plan assets | -1,533 |
| Decrease in accrued retirement benefits | 977 |

The transfer of assets (estimated at 2,222 million yen) to the defined contributory program is scheduled for completion over a future period of four years. The amount yet to be transferred at the end of the fiscal year under review (estimated at 543 million yen) was included in current liabilities under "Other" and in long-term liabilities under "Other."

| Fiscal 2007 (March 31, 2007) | Fiscal 2008 (March 31, 2008) |
|---|---|
| 3. Retirement benefit expenses<br>(From April 1, 2006 to March 31, 2007)<br>(Million yen)<br>a. Service cost 1,244<br>b. Interest cost 119<br>c. Expected rate of return (subtractive) -92<br>d. Amortization of actuarial difference 141<br>e. Amortization of past service cost —<br>f. Retirement benefit expenses (a + b + c + d + e) 1,413<br>g. Loss (profit) due to switchover to defined contributory pension program 96<br>h. Extraordinary premium retirement allowance —<br>i. Contributions to defined contributory pension program 680<br>Total 2,189<br>(Notes) 1. The Company submitting Consolidated Financial Statements and some consolidated subsidiaries sponsor a multi-employer employees' pension fund. Their contributions to that fund (estimated at 927 million yen) are included in "a. Service Cost."<br>2. The retirement benefit expenses reported by consolidated subsidiaries adopting the simplified method are included in "a. Service Cost." | 3. Retirement benefit expenses<br>(From April 1, 2007 to March 31, 2008)<br>(Million yen)<br>a. Service cost 1,209<br>b. Interest cost 102<br>c. Expected rate of return (subtractive) -103<br>d. Amortization of actuarial difference 43<br>e. Amortization of past service cost —<br>f. Retirement benefit expenses (a + b + c + d + e) 1,252<br>g. Loss (profit) due to switchover to defined contributory pension program -259<br>h. Extraordinary premium retirement allowance —<br>i. Contributions to defined contributory pension program 754<br>Total 1,747<br>(Notes) 1. The Company submitting Consolidated Financial Statements and some consolidated subsidiaries sponsor a multi-employer employees' pension fund. Their contributions to that fund (estimated at 927 million yen) are included in "a. Service Cost."<br>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<br>a. Period allocation method for estimated retirement benefits: Periodic fixed amount<br>b. Discount rate: 2.0%<br>c. Expected return on investment: 2.0%, 3.0%<br>d. Number of years for recognition of past service cost: —<br>e. Number of years for recognition of actuarial difference: 7 years, 10 years<br>(Actuarial differences are prorated on a straight-line basis over a certain number of years within the average remaining service period of eligible employees when accrued during each fiscal year, and recognized as an expense over the fiscal years following that accrual.) | 4. Basic assumptions for computing retirement benefit liability<br>a. Period allocation method for estimated retirement benefits: Periodic fixed amount<br>b. Discount rate: 2.0%<br>c. Expected return on investment: 2.0%, 4.0%<br>d. Number of years for recognition of past service cost: —<br>e. Number of years for recognition of actuarial difference: 7 years, 10 years<br>(Actuarial differences are prorated on a straight-line basis over a certain number of years within the average remaining service period of eligible employees when accrued during each fiscal year, and recognized as an expense over the fiscal years following that accrual.)<br>(Additional information)<br>Starting the fiscal year under review, the Company applies Partial Amendments to Accounting Standard for Retirement Benefits (Part 2) (Accounting Standards Board of Japan Statement No. 14 issued on May 15, 2007). |
| 5. Corporate pension assets under multi-employer arrangements<br>The Company submitting Consolidated Financial Statements and some consolidated subsidiaries sponsor a multi-employer employees' pension fund, making it impossible for them to reasonably estimate the amount of pension plan assets corresponding to their own contributions. For this reason, these plan assets are not reflected in "2. Retirement Benefit Liability."<br>The plan assets attributed to them in proportion to their total wages are as follows:<br>Plan assets: 26,270 million yen | |

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

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

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

(2) Size and changes in stock options
① Number of stock options

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

② Information on unit price

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

3. Method of estimation for fair evaluation of unit price for stock options granted this consolidated fiscal year
   (1) Applied calculation method
   Black-Scholes method
   (2) Major basic figures applied and method of estimation

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

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

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

Fiscal 2008 (From April 1, 2007 to March 31, 2008)

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

(1) Details of stock options

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

(2) Size and changes in stock options

① Number of stock options

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

② Information on unit price

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

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

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

・Corporate Acquisitions by Stock Swapping

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

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

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

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

   (2) Liabilities

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

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

・Corporate acquisition by acquiring funds

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

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

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

(1) Assets

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

(2) Liabilities

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

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

・Transactions under Common Control due to Merger

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

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

Tokai Toho　　Pharmaceutical wholesaling

(2) Legal form of business combination

Merger

(3) Corporate name after business combination

Toho Pharmaceutical

(4) Reason for merger and outline

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

2. Outline of conducted account processing

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

Fiscal 2008 (From April 1, 2007 to March 31, 2008)

・Corporate acquisition by acquiring funds

1. Acquired company's name, business lines, reason for business combination, date of business combination, legal form of business combination, corporate name after business combination and ratio of acquired voting rights
   (1) Acquired company's name and business lines
   Chuoh Medical　　Operation of dispensing pharmacies
   (2) Main reason for business combination
   The Company conducted the business execution in order to expand dispensing pharmacy business.
   (3) Date of business combination
   July 31, 2007
   (4) Legal form of business combination
   Acquisition
   (5) Corporate name after business combination
   Toho Pharmaceutical
   (6) Ratio of acquired voting rights
   60.61%
2. Period of business performance of acquired company included in the interim consolidated financial statements
   From October 1, 2007 to March 31, 2008
3. Acquisition costs for acquired company and their breakdown
   Acquisition price

| | |
|---|---|
| Cash | 2,000 million yen |
| Payment directly required for the acquisition | — |
| Acquisition costs | 2,000 million yen |

4. Amount, cause, amortization method and amortization period of accrued goodwill or negative goodwill
   (1) Value of goodwill　　1,813 million yen
   (2) Cause
   Accrued after rational estimation of future excess profitability.
   (3) Amortization method and amortization period
   The goodwill will be amortized over ten years in equal amounts.
5. Assets and liabilities accepted on the date of business consolidation and the main details
   (1) Assets

| | |
|---|---|
| Cash and cash equivalents | 475 million yen |
| Accounts receivable | 565 million yen |
| Inventories | 135 million yen |
| Buildings and structures | 444 million yen |
| Land | 172 million yen |
| Others | 188 million yen |
| Total | 1,982 million yen |

   (2) Liabilities

| | |
|---|---|
| Accounts payable | 562 million yen |
| Bonds payable | 300 million yen |
| Long-term debt | 593 million yen |
| Others | 207 million yen |
| Total | 1,627 million yen |

6. Estimated amounts that would affect the consolidated statements of income for this term assuming that the business combination will be complete at the beginning of the term

Net sales and income information

| | |
|---|---|
| Net sales | 3,218 million yen |
| Operating income | 52 million yen |
| Ordinary income | -117 million yen |
| Income before income taxes | -179 million yen |
| Current net income | -115 million yen |

Current Net Income per share -2.03yen

(Method and important assumptions used for calculating estimated amounts)

Sales and income of Chuoh Medical from April 1, 2007 to March 31, 2008, the elimination of internal transactions, the amortization of goodwill, and minority interest in net income were tallied. The income of Chuoh Medical includes adjustments in relation to the convergence of accounting policies associated with the business combination.

The information in the note above is not covered by the auditor's report.

・Corporate acquisition by acquiring funds

1. Acquired company's name, business lines, reason for business combination, date of business combination, legal form of business combination, corporate name after business combination and ratio of acquired voting rights
   (1) Acquired company's name and business lines
   Mori Pharmaceutical Pharmaceutical wholesaling
   (2) Main reason for business combination
   Upon consideration of pharmaceutical market trends and the future orientation of the industry, it was judged necessary to further strengthen business ties and to promote swift cooperation.
   (3) Date of business combination
   January 1, 2008
   (4) Legal form of business combination
   Acquisition
   (5) Corporate name after business combination
   Toho Pharmaceutical
   (6) Ratio of acquired voting rights
   100%
2. Period of business performance by the acquired company included in the consolidated financial statements
   The acquired company's results of operations are not consolidated because the company is deemed to be acquired at the end of the fiscal year.
3. Acquisition costs for acquired company and their breakdown

| | |
|---|---|
| Acquisition price | |
| Stocks of Toho Pharmaceutical | 1,180 million yen |
| Payment directly required for the acquisition | |
| Stock-issuing expenses etc. | 4 million yen |
| Acquisition costs | 1,184 million yen |

4. Amount, cause, amortization method and amortization period of accrued goodwill or negative goodwill
   (1) Value of goodwill 1,164 million yen
   (2) Cause
   Accrued after rational estimation of future excess profitability.
   (3) Amortization method and amortization period
   The goodwill will be amortized over ten years in equal amounts.
5. Assets and liabilities accepted on the date of business consolidation and the main details
   (1) Assets

| | |
|---|---|
| Cash and cash equivalents | 1,671 million yen |
| Accounts receivable | 1,829 million yen |
| Inventories | 298 million yen |
| Buildings and structures | 350 million yen |
| Land | 515 million yen |
| Total | 4,664 million yen |

(2) Liabilities

| | |
|---|---|
| Accounts payable | 2,519 million yen |
| Debt | 1,742 million yen |
| Other | 514 million yen |
| Total | 4,776 million yen |

6. Estimated amounts that would affect the consolidated statements of income for this term assuming that the business combination will be complete at the beginning of the term

Net sales and income information

| | |
|---|---|
| Net sales | 8,089 million yen |
| Operating income | -223 million yen |
| Ordinary income | -220 million yen |
| Income before income taxes | -685 million yen |
| Current net income | -692 million yen |
| Current Net Income per share | -12.24yen |

(Method and important assumptions used for calculating estimated amounts)

Sales and income of Mori Pharmaceutical from April 1, 2007 to March 31, 2008, the elimination of internal transactions, the amortization of goodwill, and minority interest in net income were tallied. The income of Mori Pharmaceutical includes adjustments in relation to the convergence of accounting policies associated with the business combination.

The information in the note above is not covered by the auditor's report.

・Transaction under common control due to stock swap

1. Combined company name, business lines, legal form of business combination, corporate name after business combination, and purpose and outline of stock swap

(1) Combined company's name and business lines

Honma Toho Pharmaceutical wholesaling

(2) Legal form of business combination

Stock swapping

(3) Corporate name after business combination

Toho Pharmaceutical

(4) Purpose and outline of stock swap

Considering trends in and the outlook for the pharmaceutical industry, the Company thought it necessary to make Honma Toho a wholly owned subsidiary of the Company and thereby to strengthen the alliance and rapidly facilitate cooperation.

2. Outline of conducted account processing

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

3. Acquisition of additional shares of the subsidiary

(1) Acquisition costs and a breakdown

| | |
|---|---|
| Acquisition price | |
| Stocks of Toho Pharmaceutical | 432 million yen |
| Payment directly required for the acquisition | |
| Stock-issuing expenses etc. | 3 million yen |
| Acquisition costs | 436 million yen |

(2) Types of stocks, exchange ratio, calculation method, number of exchanged stocks and evaluation value

 Types of stocks and exchange ratio

Common stock Toho Pharmaceutical 1 : Honma Toho 1.028

Calculation method for exchange ratio

The exchange ratio was determined through consultation between both parties based on a calculation of a stock exchange ratio by a third party. In the calculation, the similar company comparison, capitalization of earnings, and adjusted net assets methods are used for the valuation of Honma Toho, and the average market price method was used for the valuation of Toho Pharmaceutical.

Number of exchanged stocks and evaluation value

199,843 stocks 432 million yen

(3) Amount, cause, amortization method and amortization period of accrued goodwill or negative goodwill

Value of goodwill 84 million yen

 Cause

Accrued after rational estimation of future excess profitability.

Amortization method and amortization period

The goodwill will be amortized over five years in equal amounts.

(4) Details of the conditional consideration of the acquisition and accounting policy for fiscal years after the business combination stipulated in the business combination agreement

Not applicable.

(5) Of the acquisition cost, the amount that was appropriated for research and development expenses and its account

Not applicable

・Transaction under common control due to stock swap

１． Combined company's name, business lines, legal form of business combination, corporate name after business combination, and purpose and outline of stock swap

(1) Combined company's name and business lines

Koyo　　　　Pharmaceutical wholesaling

(2) Legal form of business combination

Stock swapping

(3) Corporate name after business combination

Toho Pharmaceutical

(4) Purpose and outline of stock swap

Considering trends in and the outlook for the pharmaceutical industry, the Company thought it necessary to make Koyo a wholly owned subsidiary of the Company and thereby to strengthen the alliance and to promote cooperation promptly.

2. Outline of conducted account processing

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

３． Acquisition of additional shares of the subsidiary

(1) Acquisition costs and a breakdown

| | |
|---|---|
| Acquisition price | |
| Stocks of Toho Pharmaceutical | 2,097 million yen |
| Payment directly required for the acquisition | |
| Stock-issuing expenses etc. | 3 million yen |
| Acquisition costs | 2,101 million yen |

(2) Types of stocks, exchange ratio, calculation method, number of exchanged stocks and evaluation value

① Types of stocks and exchange ratio

Common stock　　Toho Pharmaceutical　1　:　Koyo 1.811

②Calculation method for exchange ratio

The exchange ratio was determined through consultation between both parties based on the calculation of a stock exchange ratio by a third party. In the calculation, the similar company comparison and adjusted net assets methods are used for the valuation of Koyo, and the average market price method was used for the valuation of Toho Pharmaceutical.

③Number of exchanged stocks and evaluation value

968,522 stocks　　　2,097 million yen

(3) Amount, cause, amortization method and amortization period of accrued goodwill or negative goodwill

①Value of negative goodwill　　337 million yen

② Cause

There was a difference between minority interests of the book value of net assets of the subsidiary acquired through stock swap and the market capitalization, which was the consideration of the acquisition.

③Amortization method and amortization period

The goodwill will be amortized over five years in equal amounts.

(4) Details of the conditional consideration of the acquisition and accounting policy for fiscal years after the business combination set out in the business combination agreement

Not applicable.

(5) Of the acquisition cost, the amount that was appropriated for R&D expenses and its account

Not applicable.

(Information per Share)

| Fiscal 2007 (From April 1, 2006 to March 31, 2007) | | Fiscal 2008 (From April 1, 2007 to March 31, 2008) | |
|---|---|---|---|
| Net asset per share | 1,247.22 | Net asset per share | 1,351.96 |
| Net income per share | 125.82 | Net income per share | 148.23 |
| Net income per share-Diluted | 115.10 | Net income per share-Diluted | 135.55 |

(Note) Basis of calculation

1. Net Asset per Share

| Item | Fiscal 2007 (March 31, 2007) | Fiscal 2008 (March 31, 2008) |
|---|---|---|
| Total net asset on consolidated balance sheet (million yen) | 76,790 | 80,772 |
| Net assets related to common stock (million yen) | 71,048 | 77,237 |
| Major components of the difference (million yen) | | |
| Equity warrants | 21 | 54 |
| Minority interest | 5,720 | 3,480 |
| Number of shares of outstanding common stock (in units of 1000) | 59,219 | 59,219 |
| Number of treasury shares in common stock (in units of 1000) | 2,253 | 2,089 |
| Number of shares of common stock used in calculating net asset per share (in units of 1000) | 56,965 | 57,130 |

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

| | Fiscal 2007 (From April 1, 2006 to March 31, 2007) | Fiscal 2008 (From April 1, 2007 to March 31, 2008) |
|---|---|---|
| Net income per share | | |
| Net income (million yen) | 7,218 | 8,381 |
| Amount not related to shareholders of common stock (million yen) | — | — |
| Net income from common stock (million yen) | 7,218 | 8,381 |
| Average number of shares outstanding during fiscal year (in units of 1000) | 57,369 | 56,546 |
| Net income per share after adjustments on potential shares | | |
| Adjustment for net income (million yen) | — | — |
| Increase in number of shares of common stock (in units of 1000) | 5,344 | 5,289 |
| (including convertible bonds with subscription rights to shares) | (5,344) | (5,289) |
| Outline of potential shares not included in calculation of current net income per share after adjustments on potential shares due to no dilution effect | July 20, 2006<br>Resolution of Board of Directors<br>Stock options<br>1,500 stock acquisition rights<br>(150 thousand shares) | July 20, 2006<br>Resolution of Board of Directors<br>Stock options<br>1,500 stock acquisition rights<br>(150 thousand shares) |

(Significant Subsequent Events)

| Fiscal 2007<br>(From April 1, 2006 to March 31, 2007) | Fiscal 2008<br>(From April 1, 2007 to March 31, 2008) |
|---|---|
| Based on the resolution at the Company's board meeting held on August 17, 2006, its two wholly owned subsidiaries, Tsuruhara Yoshii and Yakushin, merged on April 1, 2007 and changed the corporate name to Kyushu Toho.<br>1. Names and lines of business of companies subject to the business combination<br>Tsuruhara Yoshii, Yakushin<br>Pharmaceutical wholesaling (both)<br>2. Legal form of business combination<br>Merger<br>3. Corporate name after business combination<br>Tsuruhara Yoshii (Toho Pharmaceutical's wholly owned subsidiary)<br>4. Reason for merger and outline<br>In order to ensure the effective use of managerial resources and strengthen marketing activities in the Kyushu region, it was judged as optimal to merge the two companies. Tsuruhara Yoshii operates throughout Kyushu, while Yakushin operates mainly in Fukuoka and Nagasaki Prefectures.<br>5. Outline of accounting procedures used<br>The merger was accounted for in accordance with "Accounting Standards for Business Combinations" 3-4 Accounting for Transactions under Common Control (issued by the Business Accounting Council of Japan on October 31, 2003).<br>6. Impact on financial conditions and business results in the next fiscal year<br>Since both companies are wholly owned subsidiaries of Toho Pharmaceutical, there will be no impact on the Company's financial conditions and business results. | ――― |

5. Non-consolidated Financial Statements

(1) Balance Sheets

| | | Fiscal 2007 (As of March 31, 2007) | | | Fiscal 2008 (As of March 31, 2008) | | | Increase (Decrease) | |
|---|---|---|---|---|---|---|---|---|---|
| Account | Note ref. No. | Amount (Millions of yen) | | Share (%) | Amount (Millions of yen) | | Share (%) | Amount (Millions of yen) | |
| (Assets) | | | | | | | | | |
| I Current assets | | | | | | | | | |
| 1. Cash on hand and on deposit | (Note 1) | | 34,988 | | | 9,402 | | | |
| 2. Notes receivable | (Note 7) | | 2,013 | | | 1,626 | | | |
| 3. Accounts receivable | (Note 4) | | 204,330 | | | 212,405 | | | |
| 4. Marketable securities | | | 1,500 | | | — | | | |
| 5. Merchandise | | | 37,964 | | | 37,395 | | | |
| 6. Prepaid expenses | | | 34 | | | 23 | | | |
| 7. Deferred tax assets | | | 669 | | | 733 | | | |
| 8. Purchase rebates receivable | | | 10,908 | | | 11,601 | | | |
| 9. Other accounts receivable | | | 4,312 | | | 4,785 | | | |
| 10. Short-term loans receivable | (Note 4) | | 5,433 | | | 6,148 | | | |
| 11.Other | | | 26 | | | 50 | | | |
| Allowance for doubtful receivables | | | - 109 | | | -92 | | | |
| Total current assets | | | 302,073 | 81.6 | | 284,080 | 79.1 | | -17,993 |
| II Fixed assets | | | | | | | | | |
| 1. Property, plant and equipment | | | | | | | | | |
| (1) Buildings | (Note 1,2) | | 9,917 | | | 9,563 | | | |
| (2) Structures | (Note 2) | | 271 | | | 266 | | | |
| (3) Vehicles and carriers | (Note 2) | | 4 | | | 3 | | | |
| (4) Equipment and fixtures | (Note 2) | | 811 | | | 582 | | | |
| (5) Land | (Note 1,5) | | 14,215 | | | 13,828 | | | |
| (6) Construction in progress | | | 79 | | | 126 | | | |
| Total property, plant and equipment | | | 25,301 | 6.8 | | 24,371 | 6.8 | | □930 |
| 2. Intangible fixed assets | | | | | | | | | |
| (1) Goodwill | | | 350 | | | 175 | | | |
| (2) Leaseholds | | | 145 | | | 145 | | | |
| (3) Software | | | 2,291 | | | 1,796 | | | |
| (4) Other | | | 197 | | | 257 | | | |
| Total intangible fixed assets | | | 2,984 | 0.8 | | 2,374 | 0.7 | | □610 |

| | | Fiscal 2007 (As of March 31, 2007) | | Fiscal 2008 (As of March 31, 2008) | | Increase (Decrease) |
|---|---|---|---|---|---|---|
| Account | Note ref. No. | Amount (Millions of yen) | Share (%) | Amount (Millions of yen) | Share (%) | Amount (Millions of yen) |
| 3. Investments and other assets | | | | | | |
| (1) Investments in securities | (Note 1) | 12,978 | | 12,053 | | |
| (2) Equity shares in associated companies | | 23,194 | | 32,593 | | |
| (3) Capital contributions to investees | | 42 | | 42 | | |
| (4) Long-term loans receivable | | 376 | | 293 | | |
| (5) Long-term loans receivable to associated companies | | 349 | | 335 | | |
| (6) Claims in bankruptcy and rehabilitation | | 381 | | 399 | | |
| (7) Long-term prepaid expenses | | 109 | | 101 | | |
| (8) Others | | 3,023 | | 2,923 | | |
| Allowance for doubtful receivables | | - 579 | | -565 | | |
| Total investments and other assets | | 39,876 | 10.8 | 48,177 | 13.4 | 8,301 |
| Total fixed assets | | 68,162 | 18.4 | 74,923 | 20.9 | 6,761 |
| Total assets | | 370,235 | 100.0 | 359,003 | 100.0 | -11,232 |

| | | Fiscal 2007 (As of March 31, 2007) | | | Fiscal 2008 (As of March 31, 2008) | | | Increase (Decrease) | |
|---|---|---|---|---|---|---|---|---|---|
| Account | Note ref. No. | Amount (Millions of yen) | | Share (%) | Amount (Millions of yen) | | Share (%) | Amount (Millions of yen)) | |
| (Liabilities) | | | | | | | | | |
| Ⅰ Current liabilities | | | | | | | | | |
| 1. Notes payable | (Note 1,7) | | 945 | | | 557 | | | |
| 2. Accounts payable | (Note 1) | | 265,375 | | | 254,966 | | | |
| 3. Short-term loans payable | (Note 1) | | 270 | | | 70 | | | |
| 4. Current portion of long-term debt | (Note 1) | | 333 | | | 33 | | | |
| 5. Accrued amount payable | (Note 4) | | 9,096 | | | 8,128 | | | |
| 6. Accrued expenses | | | 761 | | | 796 | | | |
| 7. Income taxes payable | | | 1,334 | | | 2,232 | | | |
| 8. Consumption taxes payable | | | 514 | | | 388 | | | |
| 9. Deposits payable | (Note 4) | | 10,749 | | | 9,510 | | | |
| 10. Accrued bonuses | | | 1,111 | | | 1,124 | | | |
| 11. Accrued bonuses for directors and corporate auditors | | | 36 | | | 36 | | | |
| 12. Reserve for sales returns | | | 192 | | | 207 | | | |
| 13. Others | | | 3 | | | — | | | |
| Total current liabilities | | | 290,725 | 78.5 | | 278,051 | 77.5 | | -12,674 |
| Ⅱ Long-term liabilities | | | | | | | | | |
| 1. Bonds payable | | | 9,600 | | | 9,600 | | | |
| 2. Long-term debt | (Note 1) | | 33 | | | — | | | |
| 3. Deferred tax liabilities | | | 2,332 | | | 1,413 | | | |
| 4. Deferred tax liabilities due to revaluation | (Note 5) | | 1,414 | | | 1,309 | | | |
| 5. Accrued retirement benefits for employees | | | 991 | | | 870 | | | |
| 6. Negative goodwill | | | 117 | | | — | | | |
| 7. Others | | | 2,625 | | | 2,069 | | | |
| Total long-term liabilities | | | 17,114 | 4.6 | | 15,262 | 4.2 | | -1,852 |
| Total liabilities | | | 307,839 | 83.1 | | 293,313 | 81.7 | | -14,526 |

| Account | Note ref. No. | Fiscal 2007 (As of March 31, 2007) Amount (Millions of yen) | | Share (%) | Fiscal 2008 (As of March 31, 2008) Amount (Millions of yen) | | Share (%) | Increase (Decrease) Account | |
|---|---|---|---|---|---|---|---|---|---|
| (Net assets) | | | | | | | | | |
| Ⅰ Shareholders' equity | | | | | | | | | |
| 1. Common stock | | | 10,599 | | | 10,599 | | | — |
| 2. Capital surplus | | | | | | | | | |
| (1) Legal capital reserve | | 26,206 | | | 26,206 | | | — | |
| (2) Other capital surplus reserve | | | | | | | | | |
| Gain on disposal of treasury stock | | — | | | 583 | | | 583 | |
| Total Capital surplus | | | 26,206 | | | 26,790 | | | 584 |
| 3. Retained earnings | | | | | | | | | |
| (1) Legal earned reserve | | 664 | | | 664 | | | — | |
| (2) Other retained earnings | | | | | | | | | |
| Unrealized gains on land | | 1,041 | | | 1,273 | | | 231 | |
| Contingency reserve | | 25,433 | | | 25,433 | | | — | |
| Unappropriated retained earnings | | 3,549 | | | 7,159 | | | 3,610 | |
| Total retained earnings | | | 30,688 | | | 34,529 | | | 3,841 |
| 4. Treasury stock | | | - 3,507 | | | -3,461 | | | 46 |
| Total shareholders' equity | | | 63,986 | 17.3 | | 68,457 | 19.1 | | 4,471 |
| Ⅱ Unrealized gains on revaluation | | | | | | | | | |
| 1. Unrealized gains on available-for-sale securities | | | 3,126 | | | 1,792 | | | -1,334 |
| 2. Unrealized gains on revaluation of land | (Note 5) | | - 4,739 | | | -4,614 | | | 125 |
| Total unrealized gains on revaluation | | | - 1,612 | -0.4 | | -2,822 | -0.8 | | -1,210 |
| Ⅲ Equity warrants | | | 21 | 0.0 | | 54 | 0.0 | | 33 |
| Total net assets | | | 62,396 | 16.9 | | 65,690 | 18.3 | | 3,294 |
| Total liabilities and net assets | | | 370,235 | 100.0 | | 359,003 | 100.0 | | -11,232 |

## (2) Statements of Income

| Account | Note ref. No. | Fiscal 2007 (From April 1, 2006 to March 31, 2007) Amount (Millions of yen) | | Share (%) | Fiscal 2008 (From April 1, 2006 to March 31, 2008) Amount (Millions of yen) | | Share (%) | Increase (Decrease) Amount (Millions of yen) | |
|---|---|---|---|---|---|---|---|---|---|
| □ Net sales | (Note 1) | | 729,380 | 100.0 | | 774,734 | 100.0 | | 45,354 |
| □ Cost of sales | | | | | | | | | |
| 1. Beginning goods | | 36,406 | | | 37,964 | | | 1,558 | |
| 2. Transfer of goods by merger | | 690 | | | — | | | -690 | |
| 3. Cost of purchased goods | | 697,622 | | | 738,678 | | | 41,055 | |
| Total | | 734,719 | | | 776,643 | | | 41,923 | |
| 4. Goods transfer to/from other account | (Note 2) | 38 | | | 19 | | | -18 | |
| 5. Ending goods | | 37,964 | 696,716 | 95.5 | 37,395 | 739,228 | 95.4 | -569 | 42,512 |
| Gross income | | | 32,663 | | | 35,506 | | | 2,843 |
| Reversal of reserve for sales returns | | | -5 | | | 15 | | | 20 |
| Gross income after reserve for sales returns | | | 32,668 | 4.5 | | 35,491 | 4.6 | | 2,823 |
| □ Selling, general and administrative expenses | | | | | | | | | |
| 1. Directors' salaries and employees' salaries and allowances | | 12,583 | | | 13,639 | | | | |
| 2. Provision for accrued bonuses | | 1,111 | | | 1,124 | | | | |
| 3. Provision for directors' bonuses. | | 36 | | | 36 | | | | |
| 4. Provision for accrued retirement benefits for employees | | 102 | | | 33 | | | | |
| 5. Provision for accrued retirement benefits for directors and corporate auditors | | 9 | | | — | | | | |
| 6. Welfare expense | | 1,841 | | | 2,009 | | | | |
| 7. Vehicle expenses | | 531 | | | 563 | | | | |
| 8. Provision for allowance for doubtful receivables | | 75 | | | — | | | | |
| 9. Depreciation and amortization | | 1,531 | | | 1,539 | | | | |
| 10. Amortization expenses for goodwill | | 175 | | | 175 | | | | |
| 11. Rent | | 2,107 | | | 2,536 | | | | |
| 12. Taxes and dues | | 484 | | | 506 | | | | |
| 13. Commission fee | | 3,376 | | | 3,617 | | | | |
| 14. Miscellaneous expenses | | 3,630 | 27,598 | 3.8 | 3,928 | 29,710 | 3.8 | | 2,112 |
| Operating income | | | 5,070 | 0.7 | | 5,780 | 0.7 | | 710 |
| □ Non-operating income | (Note 1) | | | | | | | | |
| 1. Interest income | | 104 | | | 160 | | | | |
| 2. Dividend income | | 351 | | | 441 | | | | |
| 3. Information sales income | | 976 | | | 1,066 | | | | |
| 4. Real estate rental income | | 269 | | | 254 | | | | |
| 5. Amortization expenses for negative goodwill | | 117 | | | 117 | | | | |
| 6. Miscellaneous income | | 418 | 2,236 | 0.3 | 448 | 2,488 | 0.3 | | 252 |
| □ Non-operating expenses | | | | | | | | | |
| 1. Interest expenses | (Note 1) | 57 | | | 82 | | | | |
| 2. Specified line commitment fees | | 47 | | | 37 | | | | |
| 3. Miscellaneous losses | | 20 | 125 | 0.0 | 28 | 149 | 0.0 | | 24 |
| Ordinary income | | | 7,181 | 1.0 | | 8,119 | 1.0 | | 938 |

| | | Fiscal 2007 (From April 1, 2006 to March 31, 2007) | | | Fiscal 2008 (From April 1, 2007 to March 31, 2008) | | | Increase (Decrease) | |
|---|---|---|---|---|---|---|---|---|---|
| Account | Note ref. No. | Amount (Millions of yen) | | Share (%) | Amount (Millions of yen) | | Share (%) | Amount (Millions of yen) | |
| □ Extraordinary gains | | | | | | | | | |
| 1. Gains on sales of fixed assets | (Note3) | 17 | | | 254 | | | | |
| 2. Gains on sales of stocks of affiliate companies | | 177 | | | — | | | | |
| 3. Gains on sales of investment securities | | — | | | 58 | | | | |
| 4. Reversal of allowance for doubtful receivables | | — | | | 3 | | | | |
| 5. Reversal of debt guarantee for reserve | | 12 | 206 | 0.0 | — | 316 | 0.1 | | 110 |
| □ Extraordinary losses | | | | | | | | | |
| 1. Gain on disposal of fixed assets | (Note 4) | 525 | | | 194 | | | | |
| 2. Loss on revaluation of investment securities | | 11 | | | 12 | | | | |
| 3. Directors' retirement benefits | | 48 | | | — | | | | |
| 4. Variance from disposal of tying stocks | | 593 | | | — | | | | |
| 5. Impairment loss | (Note 5) | 12 | | | 304 | | | | |
| 6. Loss on sale of golf club memberships | | 3 | | | — | | | | |
| 7. Loss on revaluation of golf club memberships | | 8 | | | — | | | | |
| 8. Others | | — | 1,202 | 0.1 | 89 | 601 | 0.1 | | □601 |
| Net income before taxes | | | 6,186 | 0.9 | | 7,834 | 1.0 | | 1,648 |
| Corporate income, inhabitant and enterprise taxes | | 2,124 | | | 3,259 | | | 1,135 | |
| Adjustments for income taxes | | 129 | 2,253 | 0.4 | □180 | 3,078 | 0.4 | -309 | 825 |
| Net Income | | | 3,932 | 0.5 | | 4,755 | 0.6 | | 823 |

(3) Statement of Changes in Shareholders' Equity during Preceding Fiscal Year
Fiscal 2007 (From Apr 1, 2006 to Mar 31, 2007)

| | Shareholders' equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | Retained earnings | | | | | | |
| | | | | Other retained earnings | | | | | |
| | Common stock | Legal capital reserve | Legal earned reserve | Unrealized gains on land | Contingency reserve | Unappropriated retained earnings | Total retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of March 31, 2007 (Million yen) | 10,399 | 16,922 | 664 | 1,053 | 24,133 | 1,930 | 27,781 | - 1,259 | 53,844 |
| Changes during this term | | | | | | | | | |
| New shares issued in share exchange | | 9,083 | | | | | | | 9,083 |
| Increase due to execution of stock subscription rights attached to bonds | 200 | 199 | | | | | | | 400 |
| Dividends from surplus (note1) | | | | | | - 862 | - 862 | | - 862 |
| Payment of bonuses to directors and corporate auditors (note 2) | | | | | | - 36 | - 36 | | - 36 |
| Transfer to contingency reserve (note 2) | | | | | 1,300 | - 1,300 | — | | — |
| Net income | | | | | | 3,932 | 3,932 | | 3,932 |
| Acquisition of treasury stock | | | | | | | | - 2,247 | - 2,247 |
| Transfer from unrealized gains on land (Note 3) | | | | -21 | | 21 | — | | — |
| Increase in unrealized gains on land | | | | 9 | | - 9 | — | | — |
| Reversal of land revaluation excess | | | | | | - 126 | -126 | | - 126 |
| Change (net increase or decrease) in non-shareholders' equity items during this term | | | | | | | | | |
| Total changes during this term (million yen) | 200 | 9,283 | — | - 11 | 1,300 | 1,618 | 2,906 | - 2,247 | 10,142 |
| Balance as of March 31, 2007 (million yen) | 10,599 | 26,206 | 664 | 1,041 | 25,433 | 3,549 | 30,688 | - 3,507 | 63,986 |

| | Valuation and translation adjustments | | | Stock subscription rights | Total liabilities and net assets |
|---|---|---|---|---|---|
| | Unrealized gains on available-for-sale securities | Land revaluation surplus | Total valuation and translation adjustments | | |
| Balance as of March 31, 2007 (Million yen) | 2,591 | - 4,859 | - 2,267 | — | 51,576 |
| Changes during this term | | | | | |
| New shares issued in share exchange | | | | | 9,083 |
| Increase due to execution of stock subscription rights attached to bonds | | | | | 400 |
| Dividends from surplus (note1) | | | | | - 862 |
| Payment of bonuses to directors and corporate auditors (note 2) | | | | | - 36 |
| Transfer to contingency reserve (note 2) | | | | | — |
| Net income | | | | | 3,932 |
| Acquisition of treasury stock | | | | | -2,247 |
| Transfer from unrealized gains on land (Note 3) | | | | | — |
| Increase in unrealized gains on land | | | | | — |
| Reversal of land revaluation excess | | | | | - 126 |
| Change (net increase or decrease) in non-shareholders' equity items during this term | 535 | 119 | 655 | 21 | 676 |
| Total changes during this term (million yen) | 535 | 119 | 655 | 21 | 10,819 |
| Balance as of March 31, 2007 (million yen) | 3,126 | - 4,739 | -1,612 | 21 | 62,396 |

(Notes) 1. 520 million yen appropriated from retained earnings at the ordinary general meeting of shareholders in June 2006; 341 million yen appropriated pursuant to the resolution of the Board of Directors in November 2006.
2. Appropriated from retained earnings at the ordinary general meeting of shareholders in June 2006.
3. 10 million yen appropriated from retained earnings at the ordinary general meeting of shareholders in June 2006; 10 million yen released from revaluation reserve during the fiscal year.

Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008)

| | Shareholders' equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | | | Retained earnings | | | | |
| | | Legal capital reserve | Other capital surplus | Total capital surplus | Legal earned reserve | Other retained earnings | | | Total retained earnings |
| | | | | | | Unrealized gains on land | Contingency reserve | Unappropriated retained earnings | |
| Balance as of March 31, 2007 (Million yen) | 10,599 | 26,206 | — | 26,206 | 664 | 1,041 | 25,433 | 3,549 | 30,688 |
| Changes during this term | | | | | | | | | |
| Change due to stock swap | | | 583 | 583 | | | | | |
| Dividends from surplus | | | | | | | | - 789 | - 789 |
| Net income | | | | | | | | 4,755 | 4,755 |
| Acquisition of treasury stock | | | | | | | | | |
| Transfer from unrealized gains on land | | | | | | - 10 | | 10 | — |
| Increase in unrealized gains on land | | | | | | 241 | | - 241 | — |
| Reversal of land revaluation excess Reversal of land revaluation excess | | | | | | | | - 124 | - 124 |
| Change (net increase or decrease) in non-shareholders' equity items during the term | | | | | | | | | |
| Total changes during this term (million yen) | — | — | 583 | 583 | — | 231 | — | 3,610 | 3,841 |
| Balance as of March 31, 2008 (million yen) | 10,599 | 26,206 | 583 | 26,790 | 664 | 1,273 | 25,433 | 7,159 | 34,529 |

| | Shareholders' equity | | Valuation and translation adjustments | | | Stock subscription rights | Total liabilities and net assets |
|---|---|---|---|---|---|---|---|
| | Treasury stock | Total shareholders' equity | Unrealized gains on available-for-sale securities | Land revaluation surplus | Total valuation and translation adjustments | | |
| Balance as of March 31, 2007 (Million yen) | -3,507 | 63,986 | 3,126 | - 4,739 | - 1,612 | 21 | 62,396 |
| Changes during this term | | | | | | | |
| Change due to stock swap | 1,946 | 2,530 | | | | | 2,530 |
| Dividends from surplus | | -789 | | | | | - 789 |
| Net income | | 4,755 | | | | | 4,755 |
| Acquisition of treasury stock | - 1,901 | - 1,901 | | | | | - 1,901 |
| Transfer from unrealized gains on land | | — | | | | | — |
| Increase in unrealized gains on land | | — | | | | | — |
| Reversal of land revaluation excess Reversal of land revaluation excess | | - 124 | | | | | - 124 |
| Change (net increase or decrease) in non-shareholders' equity items during the term | | | - 1,334 | 124 | - 1,209 | 32 | - 1,177 |
| Total changes during this term (million yen) | 45 | 4,471 | - 1,334 | 124 | - 1,209 | 32 | 3,293 |
| Balance as of March 31, 2008 (million yen) | - 3,461 | 68,457 | 1,792 | - 4,614 | - 2,822 | 54 | 65,690 |

(4) Significant Accounting Policies

| Item | Fiscal 2007<br>(From Apr 1, 2006 to Mar 31, 2007) | Fiscal 2008<br>(From Apr 1, 2007 to Mar 31, 2008) |
|---|---|---|
| 1. Basis and Method of Valuation of Marketable Securities | Held-to-maturity debt securities<br>Stated at cost amortized on a straight-line basis.<br><br>Equity shares in subsidiaries and affiliates<br>Stated at moving-average cost<br>Available-for-sale securitie<br>With available fair market value:<br>Calculated by the market value method based on the market value at the end of the fiscal year (valuation differences are accounted for as a component of net assets; the cost of securities sold is calculated by the moving average method).<br>With no available fair market value:<br>Stated at moving-average cost. | Held-to-maturity debt securities<br>Same as in left column.<br><br>Equity shares in subsidiaries and affiliates<br>Same as in left column.<br>Available-for-sale securitie<br>With available fair market value:<br>Same as in left column.<br><br>With no available fair market value:<br>Same as in left column. |
| 2. Basis and Method of Valuation of Inventories | Stated at moving-average cost. | Same as in left column. |
| 3. Method of Depreciation of Fixed Assets<br>(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:<br>Buildings and structures: 10-50 years<br>Vehicles and carries: 5-6 years<br>Equipment and fixtures: 5-15 years | 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:<br>Buildings and structures: 10-50 years<br>Vehicles and carries: 5-6years<br>Equipment and fixtures: 5-15 years<br><br>(Change in accounting policy<br>Following the revision of the Corporation Tax Law (the Law for Partial Revision of the Income Tax Law and Others of March 30, 2007 or Law No. 6 and the Government Ordinance for Partial Revision of the Corporation Tax Law Enforcement Ordinance of March 30, 2007 or Government Ordinance No. 83), effective with the interim term under review, the Company changes methods to depreciate assets acquired on and after April 1, 2007 in accordance with the revised Corporation Tax Law.<br>The impact on income as a result of this change was insignificant.。<br>(Additional Information)<br>Effective with the term under review, the Company changes methods to depreciate assets acquired on and before March 30, 2007 evenly over a period of five years following their completed depreciation to the extent permitted.<br>The impact on income as a result of this change was insignificant. |
| (2) Intangible fixed assets | Amortized by the straight-line method.<br>Software for internal use is amortized by the straight-line method over the estimated useful life for in-house use (five years). | Same as in left column. |
| (3) Long-term prepaid expenses | Amortized in equal amounts. | Same as in left column. |

| Item | Fiscal 2007<br>(From Apr 1, 2006 to Mar 31, 2007) | Fiscal 2008<br>(From Apr 1, 2007 to Mar 31, 2008) |
|---|---|---|
| 4. Principles of Accounting for Allowances and Reserves | | |
| (1) Allowance for Doubtful Accounts | The allowance for doubtful receivables is provided to cover possible losses on the collection of trade receivables, loans receivable, and others. The actual rate of historical bad debts is used for normal receivables and certain receivables, including those subject to possible loss, with the recoverability of individual accounts investigated and the uncollectible amount estimated. | Same as in left column. |
| (2) Accrued Bonuses | The estimated amount payable is provided to fund bonus payments to eligible employees and directors, who are also employees of the Group. | Same as in left column. |
| (3) Provision for director's bonuses | In order to fund directors' bonuses from the estimated amount payable for this fiscal year, the obligation for this fiscal year has been recorded.<br>(Change in accounting policy)<br>Effective from the fiscal year under review, the Company adopts "the Accounting Standards for Directors' Bonuses" (issued by the Accounting Standards Board of Japan on November 29, 2005, ASBJ Statement No. 4).<br>The effect of this application was to reduce operating income, ordinary income, and net income before taxes by 36 million yen each. | In order to fund directors' bonuses from the estimated amount payable for this fiscal year, the obligation for this fiscal year has been recorded. |
| (4) Reserve for Sales Returns | The estimated amount of losses on future sales returns is provided to cover possible losses on sales returns. | Same as in left column. |
| (5) Accrued Retirement Benefits for Employees | In connection with the entire shift to a defined contributory pension program in April 2005, a transitional program was introduced to pay retirement-age employees (still active on the payroll at the time of the switchover) lump-sum severance allowances in the amount of a portion of all benefits attributable to past service, upon their retirement. This involved recognition of the relevant retirement benefit liability as of the end of March 2007 to prepare for the payment of retirement benefits to these employees. Actuarial differences are insignificant and recognized as expenses in the fiscal year when accrued. | In connection with the entire shift to a defined contributory pension program in April 2005, a transitional program was introduced to pay retirement-age employees (still active on the payroll at the time of the switchover) lump-sum severance allowances in the amount of a portion of all benefits attributable to past service, upon their retirement. This involved recognition of the relevant retirement benefit liability as of the end of March 2007 to prepare for the payment of retirement benefits to these employees. Actuarial differences are insignificant and recognized as expenses in the fiscal year when accrued. |
| 5. Method of Accounting for Lease Transactions | Finance leases other than those where ownership of the leased property is deemed transferred to the lessee are accounted for in the same manner as standard lease transactions. | Same as in left column. |
| 6. Goodwill and negative goodwill | Goodwill and negative goodwill are amortized over a period of five years in equal amounts. | Same as in left column. |
| 7. Other Basis of Presenting Consolidated Financial Statements Method of Accounting for Consumption Taxes and Others | | |
| Method of transactions subject to consumption tax | Transactions subject to consumption tax are accounted for exclusive of consumption tax. | Same as in left column. |

(5) Changes in Method of Accounting

| Fiscal 2007<br>(From Apr 1, 2006 to Mar 31, 2007) | Fiscal 2008<br>(From Apr 1, 2007 to Mar 31, 2008) |
|---|---|
| (Accounting Standards for Net Assets on Balance Sheets)<br>(Partial Revision of Accounting Standards for Decreases in Treasury Stocks and Reserves and others)<br>Effective from the fiscal year under review, the Company has applied "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (issued by the Accounting Standards Board of Japan on December 9, 2005, ASBJ Statement No. 5), "Implementation Guidelines on Accounting Standards for Presentation of Net Assets in the Balance Sheet" (issued by the Accounting Standards Board of Japan on December 9, 2005, ASBJ Guideline No. 8), the revised "Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (issued by the Accounting Standards Board of Japan on August 11, 2006, ASJB Statement No. 1), and "Implementation Guidance on Accounting Standard for Treasury Shares and Appropriation of Legal Reserve" (issued by the Accounting Standards Board of Japan on August 11, 2006, ASJB Statement No. 2).<br>There was no impact on the Company's profit and loss due to these changes.<br>The amount relevant to "total shareholders' equity" was valued at 62,374 million yen.<br>Net assets on the consolidated balance sheet during the fiscal year under review were prepared in compliance with the revised and current Regulations Concerning Consolidated Financial Statements. | ――― |
| (Accounting standards for business combinations)<br>Effective from the fiscal year under review, the Company has applied "Accounting Standards for Business Combinations" (issued by the Business Accounting Council of Japan on October 31, 2003), "Accounting Standard for Business Divestitures" (issued by the Accounting Standards Board of Japan on December 27, 2005, ASBJ Statement No. 7), and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (issued by the Accounting Standards Board of Japan on December 27, 2005, ASBJ Statement No. 10). | ――― |
| (Accounting standards for stock options)<br>Effective from the fiscal year under review, the Company has applied "Accounting Standard for Share-based Payment" (issued by the Accounting Standards Board of Japan on December 27, 2005, ASBJ Statement No. 8) and "Implementation Guidance on Accounting Standard for Share-based Payment" (issued by the Accounting Standards Board of Japan revised on May 31, 2006, ASBJ Guidance No. 11).<br>The effect of this application was to reduce operating income, ordinary income, and net income before taxes by 21 million yen each. | ――― |

(Changes in Presentation Method)

| Fiscal 2007<br>(From Apr 1, 2006 to Mar 31, 2007) | Fiscal 2008<br>(From Apr 1, 2007 to Mar 31, 2008) |
|---|---|
| (Balance Sheets)<br>“Short-term loans receivable,” which had been included in “other” in current assets until the preceding fiscal year, was presented separately because it exceeded 1/100th of the total assets in this fiscal year.<br>“Short-term loans receivable” at the end of the preceding fiscal year was 226 million yen.<br>(Statements of Income)<br>Description of the item “Information sales income” in non-operating income, which had been presented as “fee income” until the preceding consolidated fiscal year, was changed to clarify the details. | ――――――<br><br><br><br><br><br><br>―――――― |

(Additional Information)

| Fiscal 2007<br>(From Apr 1, 2006 to Mar 31, 2007) | Fiscal 2008<br>(From Apr 1, 2007 to Mar 31, 2008) |
|---|---|
| (Abolishment of the system for accrued retirement benefits for directors)<br>It was resolved at general meetings of shareholders held on June 29, 2006 to abolish the system for retirement benefits for directors and corporate auditors as at the end of the general meetings to terminate payment.<br>In the payment of retirement benefits to directors and corporate auditors as at the end of this meeting, 1 million yen was presented as “Accrued payable” in current liabilities, and 361 million yen as “others” in fixed liabilities. | ―――――― |

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

**Fiscal 2007**
**(From Apr 1, 2006 to Mar 31, 2007)**

(Note 1) Assets pledged as collateral:

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

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

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

(Note 3) Liabilities guaranteed

① Bank loans guaranteed

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

② Accounts payable guaranteed

| | |
|---|---|
| Godo Toho | 10 million yen |

(Note 4) In addition to those classified, assets and liabilities related to associated companies are described as below.

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

**Fiscal 2008**
**(From Apr 1, 2007 to Mar 31, 2008)**

(Note 1) Assets pledged as collateral:

| Classified assets pledged (million yen) | | Corresponding liabilities (million yen) | |
|---|---|---|---|
| Time deposits<br>buildings<br>Land<br>Investment securities | 295<br>1,692<br>4,219<br>1,285 | Notes and accounts payable | 18,901 |
| Buildings<br>Land<br>Investment securities | 504<br>1,201<br>— | Short-term loans payable and long-term debt (including current portion of long-term debt due within one year) | — |
| Total | 9,198 | Total | 18,901 |

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

| | |
|---|---|
| Building | 10,075 million yen |
| Structures | 769 million yen |
| Vehicles and carriers | 14 million yen |
| Equipment and fixtures | 1,976 million yen |
| Total | 12,836 million yen |

(Note 3) Liabilities guaranteed

① Bank loans guaranteed

| | |
|---|---|
| Ethos | 4,080 million yen |
| Tokyo Research Center of Clinical Pharmacology | 800 million yen million yen |
| Wakaba | 325 million yen |
| Alf and one other | 223 million yen |
| Total | 5,429 million yen |

② Accounts payable guaranteed

| | |
|---|---|
| Godo Toho and 1 other | 40 million yen |

(Note 4) In addition to those classified, assets and liabilities related to associated companies are described as below.

| | |
|---|---|
| Trade receivables | 96,199 million yen |
| Short-term loans receivable | 6,071 million yen |
| Accrued amount payable | 6,041 million yen |
| Deposits payable | 9,366 million yen |

| Fiscal 2007<br>(From Apr 1, 2006 to Mar 31, 2007) | Fiscal 2008<br>(From Apr 1, 2007 to Mar 31, 2008) |
|---|---|
| (Note 5) Pursuant to the “Law concerning Land Revaluation” (Law No. 34, promulgated on March 31, 1998) and the “Law for Partial Revision of Law concerning Land Revaluation” (Law No. 19, promulgated on March 31, 2001), the Company revalued its land used for business purposes and accordingly recorded in shareholders’ equity under “unrealized gains on revaluation of land” the amount of revaluation difference in value and net “deferred tax assets due to revaluation.”<br>Method of revaluation:<br>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).<br>Date of revaluation: March 31, 2002<br>Difference in value of land revalued between market and revalued book value at fiscal year-end: 2,096 million yen | (Note 5) Pursuant to the “Law concerning Land Revaluation” (Law No. 34, promulgated on March 31, 1998) and the “Law for Partial Revision of Law concerning Land Revaluation” (Law No. 19, promulgated on March 31, 2001), the Company revalued its land used for business purposes and accordingly recorded in shareholders’ equity under “unrealized gains on revaluation of land” the amount of revaluation difference in value and net “deferred tax assets due to revaluation.”<br>Method of revaluation:<br>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).<br>Date of revaluation: March 31, 2002<br>Difference in value of land revalued between market and revalued book value at fiscal year-end: 2,056 million yen |
| (Note 6) The Company has been lending commitment agreements with 11 trading banks to facilitate efficient procurement of working funds.<br>Lending commitments 12,000 million yen<br>Balance borrowed － million yen<br>Total remainder 12,000 million yen | (Note 6) The Company has been lending commitment agreements with 11 trading banks to facilitate efficient procurement of working funds.<br>Lending commitments 12,000 million yen<br>Balance borrowed － million yen<br>Total remainder 12,000 million yen |
| (Note 7) As for accounting methods for notes due at the end of the fiscal year under review, the final day of this fiscal year fell on a bank holiday, but notes due on this day were processed as settled on the due date.<br>The values of notes due at the end of the fiscal year under review are given below.<br>Notes receivable 456 million yen<br>Notes payable 210 million yen | ―――――― |

(Notes to Consolidated Statements of Income)

**Fiscal 2007 (From Apr 1, 2006 to Mar 31, 2007)**

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

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

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

(Note 3) Gains on sales of fixed assets comprising:

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

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

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

(Note 5) Impairment losses

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

| Location | Purpose | Class |
|---|---|---|
| Former Shimodate Sales Office and 5 other sites | Real estate unused | Land |

The Toho Pharmaceutical Group identifies asset groups as being individual branches classified as real estate used for business purposes, and as being individual assets not used for business purposes classified as real estate unused. The Company recognized an impairment loss of 12 million yen on non-business-purpose unused real estate that suffered consecutive losses in land value. It comprised 12 million yen on land. The recoverable amount was measured on the basis of net sale price. It was based on an assessment supplied by a real estate appraiser, which proved insignificant for some properties, and so these were assessed in reference to the fixed asset tax assessment.

**Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008)**

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

| | |
|---|---|
| Net sales to associated companies | 330,510 million yen |
| Non-operating income from associated companies Total | 332 million yen |
| Interest expenses to associated companies | 53million yen |

(Note 2) Same as in left column.

(Note 3) Gains on sales of fixed assets comprising:

| | |
|---|---|
| Gain on sale of land | 254 million yen |

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

| | |
|---|---|
| Loss on retirement of buildings | 131 million yen |
| Loss on retirement of vehicles and carriers | 2 million yen |
| Loss on sale of buildings | 0 million yen |
| Loss on sale of land | 57 million yen |
| Loss on sale of intangible fixed assets | 3 million yen |
| Total | 194 million yen |

(Note 5) Impairment losses

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

| Location | Purpose | Class |
|---|---|---|
| Gifu Sales Office | Real estate for business use | Land |
| Ichioka Sales Office (Minato Ward, Osaka City, Osaka Prefecture) and 1 other site | Real estate for rental use | Land and buildings |
| Higashi-Hiroshima City, Hiroshima Prefecture and 1 other site | Real estate unused | |

The Toho Pharmaceutical Group classifies branches as real estate for business use and classifies other properties as real estate for rental use and real estate unused.

With respect to real estate for business use, the Group recognized an impairment loss of 6 million yen in land because of continuous losses. In principle, the Group estimates a recoverable amount based on the net sale value. However, since the importance of the impaired properties was small, the recoverable amount was estimated based on the assessed value for real estate tax.

With respect to real estate for rental use, the Group reduced the book value of the properties that were chosen for sale within the fiscal year under review to the recoverable amount and recognized an impairment loss of 211 million yen, of which land accounted for 132 million yen, and buildings 78 million yen. The recoverable amount was estimated based on the planned sale value.

The book value of real estate unused, which included what was decided to be sold within the fiscal year under review, was reduced to the recoverable amount, and an impairment loss of 86 million yen was recognized. Of the impairment loss, land accounted for 84 million yen, and buildings 2 million yen. The recoverable amount was estimated based on the planned sale value or other factors.

(Consolidated Statement of Changes in Shareholders' Equity)

Fiscal 2007 (From Apr 1, 2006 to Mar 31, 2007)

Treasury Stock

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

(Note) The increase of 1,156,000 common shares in treasury stock comprises an increase of 6,000 shares due to the reacquisition of odd stock, 41,000 shares reacquired from consolidated subsidiaries, 1,109,000 shares reacquired pursuant to the resolution of the Board of Directors.

Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008)

Treasury Stock

| Types of stocks | No. of stocks as of end of fiscal 2006 (in thousand stocks) | No. of stocks increased during fiscal 2007 (in thousand stocks) | No. of stocks decreased during fiscal 2007 (in thousand stocks) | No. of stocks as of the end of this term (in thousand stocks) |
|---|---|---|---|---|
| Common stocks (Note) | 2,241 | 1,004 | 1,168 | 2,077 |

(Note) 1. The increase of 1,004,000 common shares in treasury stock comprises an increase of 4,000 shares due to the reacquisition of odd stock and 1,000,000 shares reacquired pursuant to the resolution of the Board of Directors.

2. The decrease of 1,168,000 common shares in treasury stock consists of a decrease of 199,000 shares of substitute treasury stock delivered in association with the stock swap with Honma Toho and a decrease of 968,000 shares of substitute treasury stock delivered in association with the stock swap with Koyo.

(Notes to Leases Transactions)

| Fiscal 2007 (From Apr 1, 2006 to Mar 31, 2007) | Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008) |
|---|---|
| Lease transactions other than those in which the ownership of the leased property is deemed to be transferred to the lessee<br>(1) Leased property's presumed amounts corresponding to acquisition cost, accumulated depreciation, and balance at the end of the fiscal year: | Lease transactions other than those in which the ownership of the leased property is deemed to be transferred to the lessee<br>(1) Leased property's presumed amounts corresponding to acquisition cost, accumulated depreciation, and balance at the end of the fiscal year: |

Fiscal 2007:

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

Fiscal 2008:

| | Presumed acquisition cost(million yen) | Presumed accumulated depreciation(million yen) | Presumed balance at year-end (million yen) |
|---|---|---|---|
| Equipment and fixtures | 6,034 | 2,966 | 3,067 |
| Intangible fixed assets (software) | 55 | 18 | 37 |
| Total | 6,090 | 2,984 | 3,105 |

| Fiscal 2007 | Fiscal 2008 |
|---|---|
| (2) Presumed year-end balance of unaccrued lease payments and others: | (2) Presumed year-end balance of unaccrued lease payments and others: |
| Presumed year-end balance of unaccrued lease payments | Presumed year-end balance of unaccrued lease payments |
| Within one year 867 million yen | Within one year 847 million yen |
| One year or more 2,587 million yen | One year or more 2,312 million yen |
| Total 3,455 million yen | Total 3,159 million yen |
| (3) Lease payments, transfer of impairment losses on lease assets, presumed depreciation, presumed interest expense, and impairment loss: | (3) Lease payments, transfer of impairment losses on lease assets, presumed depreciation, presumed interest expense, and impairment loss: |
| Lease payment 913 million yen | Lease payment 1,024 million yen |
| Presumed depreciation 867 million yen | Presumed depreciation 967 million yen |
| Presumed interest expense 57 million yen | Presumed interest expense 74 million yen |
| (4) Method of calculating presumed depreciation<br>Calculated on a straight-line basis assuming the lease period to be the useful life and the residual value diminishing to zero. | (4) Method of calculating presumed depreciation<br>Same as in left column. |
| (5) Method of calculating interest expense<br>Calculated by assuming the difference between total lease payment and leased property's presumed acquisition cost as the presumed interest allocated to each of the years covered by the interest method. | (5) Method of calculating interest expense<br>Same as in left column. |
| (Impairment loss)<br>No impairment loss attributable to lease assets was recognized. | (Impairment loss)<br>Same as in left column. |

(Notes to Marketable Securities)

Stocks in subsidiaries and affiliates with available fair market values

| | Fiscal 2007 (Mar 31, 2007) | | | Fiscal 2008 (Mar 31, 2008) | | |
|---|---|---|---|---|---|---|
| | Balance sheet value (million yen) | Market value (million yen) | Difference (million yen) | Balance sheet value (million yen) | Market value (million yen) | Difference (million yen) |
| Stocks of associated companies | — | — | — | 5,585 | 6,070 | 484 |

(Notes to Tax Effect Accounting)

## Fiscal 2007 (Mar 31, 2007)

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

| | (million yen) |
|---|---|
| Deferred tax assets (current assets) | |
| Accrued expenses | 22 |
| Enterprise tax payable | 107 |
| Accrued bonuses | 450 |
| Others | 89 |
| Subtotal | 669 |
| Deferred tax assets (fixed assets) | |
| Allowance for doubtful receivables | 169 |
| Investment securities | 223 |
| Stocks in associated companies | 126 |
| Other long-term liabilities | 147 |
| Accrued retirement benefits for employees | 401 |
| Land revaluation difference | 40 |
| Others | 45 |
| Total | 1,154 |
| Valuation reserve | -566 |
| Subtotal | 587 |
| Total deferred tax assets | 1,257 |
| Deferred tax liabilities (long-term liabilities) | |
| Deferred capital gains on land | -709 |
| Revaluation difference on available-for-sale securities | -2,211 |
| Total deferred tax liabilities | -2,920 |
| Net deferred tax liabilities | -1,662 |

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

| | (%) |
|---|---|
| Statutory effective tax rate | 40.5 |
| (Adjustments) | |
| Entertainment expense and other tems not permanently included in expense | 1.8 |
| Dividend income and other items not permanently included in income | -1.8 |
| Variance from disposal of tying stocks | 3.9 |
| Deducted loss brought forward from merged company | -9.5 |
| Per-capita inhabitant tax | 1.3 |
| Others | 0.2 |
| Tax and other burden rate after application of tax effect accounting | 36.4 |

## Fiscal 2008 (Mar 31, 2008)

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

| | (million yen) |
|---|---|
| Deferred tax assets (current assets) | |
| Accrued expenses | 25 |
| Enterprise tax payable | 178 |
| Accrued bonuses | 455 |
| Others | 74 |
| Subtotal Subtotal | 733 |
| Deferred tax assets (fixed assets) | |
| Allowance for doubtful receivables | 162 |
| Investment securities | 228 |
| Stocks in associated companies | 126 |
| Other long-term liabilities | 146 |
| Accrued retirement benefits for employees | 352 |
| Land revaluation difference | 136 |
| Revaluation reserve for land to be sold | 113 |
| Others | 50 |
| Total | 1,316 |
| Valuation reserve | -560 |
| Subtotal | 756 |
| Total deferred tax assets Total deferred tax assets | 1,490 |
| Deferred tax liabilities (long-term liabilities) | |
| Deferred capital gains on land | -866 |
| Revaluation difference on available-for-sale securities | -1,302 |
| Total deferred tax liabilities | -2,169 |
| Net deferred tax liabilities | - 679 |

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

| | (%) |
|---|---|
| Statutory effective tax rate | 40.5 |
| (Adjustments) | |
| Entertainment expense and other items not permanently included in expense | 1.5 |
| Dividend income and other items not permanently included in income | -1.8 |
| Per-capita inhabitant tax | 1.2 |
| Revaluation reserve for land to be sold | -1.4 |
| Others | 0.7 |
| Tax and other burden rate after application of tax effect accounting | 39.3 |

(Notes to Business Combinations)
Fiscal 2007 (From Apr 1, 2006 to Mar 31, 2007)
Refer to (7) Notes to Consolidated Financial Statements of 4 Consolidated Financial Statements (Corporate Acquisitions by Stock Swapping and Transaction under Common Control due to Merger in Notes to Business Combinations).

Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008)
Refer to (7) Notes to Consolidated Financial Statements of 4 Consolidated Financial Statements (Transaction under Common Control due to Merger in Notes to Business Combinations).

(Information per Share)

| Fiscal 2007 (From Apr 1, 2006 to Mar 31, 2007) | | Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008) | |
|---|---|---|---|
| Net asset per share | 1,094.72 yen | Net asset per share | 1,148.65 yen |
| Net income per share | 68.51 yen | Net income per share | 84.09 yen |
| Net income per share - Diluted | 62.68 yen | Net income per share - Diluted | 76.90 yen |

(Note) Basis for calculation

1. Net asset per share

| Item | Fiscal 2007 (Mar 31, 2007) | Fiscal 2008 (Mar 31, 2008) |
|---|---|---|
| Total net assets on balance sheet (million yen) | 62,396 | 65,690 |
| Net assets related to common stock (million yen) | 62,374 | 65,635 |
| Major components of difference (million yen)<br>Equity warrants | 21 | 54 |
| Number of shares of outstanding common stock (in thousand stocks) | 59,219 | 59,219 |
| Number of treasury shares of common stock (in thousand stocks) | 2,241 | 2,077 |
| Number of shares of common stock used in calculating net asset per share (in thousand stocks) | 56,978 | 57,141 |

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

| | Fiscal 2007 (From Apr 1, 2006 to Mar 31, 2007) | Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008) |
|---|---|---|
| Net income per share | | |
| Net income (million yen) | 3,932 | 4,755 |
| Amount not related to shareholders of common stock (million yen) | — | — |
| Net income from common stock (million yen) | 3,932 | 4,755 |
| Average number of shares outstanding during fiscal year (in thousand stocks) | 57,399 | 56,557 |
| Net income per share after adjustments on potential shares | | |
| Adjustment for net income (million yen) | — | — |
| Increase in number of shares of common stock (in thousand stocks) | 5,344 | 5,289 |
| (including convertible bonds with subscription rights to shares) | (5,344) | (5,289) |
| Outline of potential shares not included in calculation of current net income per share after adjustments on potential shares due to no dilution effect | July 20, 2006 Resolution of Board of Directors<br>Stock options 1,500 stock acquisition rights<br>(150 thousand shares) | July 20, 2006 Resolution of Board of Directors<br>Stock options 1,500 stock acquisition rights<br>(150 thousand shares) |

(Significant Subsequent Events)

| Fiscal 2007<br>(From Apr 1, 2006 to Mar 31, 2007) | Fiscal 2008<br>(From Apr 1, 2007 to Mar 31, 2008) |
|---|---|
| Based on the resolution at the Company's board meeting held on August 17, 2006, its two wholly owned subsidiaries, Tsuruhara Yoshii and Yakushin, merged on April 1, 2007 and changed the corporate name to Kyushu Toho.<br>For an outline of this business combination, refer to 1. Consolidated Financial Statements and Others – (1) Consolidated Financial Statements – Notes – Significant Subsequent Events.<br>Since both companies are wholly owned subsidiaries of Toho Pharmaceutical, there was no impact on the Company's profit and loss. | ―――― |