Summary of Consolidated Financial Results of Fiscal 2009

May 8, 2009

Name of Listed Company: TOHO HOLDINGS CO., LTD Listed: Tokyo Stock Exchange

Securities Code Number: 8129 URL: http://www.tohohd.co.jp

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Planned Date of General Meeting of Shareholders: June 26, 2009 Planned Date of Dividends Payment: June 8, 2009
Planned Date of Filing of Annual Securities: June 26, 2009

(Amounts are truncated to the nearest million yen.)

1. Consolidated Results of Operations for the March 2009 (from April 1, 2008 to March 31, 2009)

(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 2009	838,903	(4.2)	3,021	(-70.6)	6,525	(-53.1)	-2,471	(-)
Fiscal 2008	805,419	(4.1)	10,269	(10.0)	13,901	(6.1)	8,381	(16.1)

	Current Net Income per share	Current Net Income per share - Diluted	Return on Equity	Ordinary Income/ Total Assets	Operating Income/ Net Sales
	Yen	Yen	%	%	%
Fiscal 2009	-41.73	-	-3.2	1.7	0.4
Fiscal 2008	148.23	135.55	11.3	3.5	1.3

(reference) Equity in earnings (losses) of equity-method investees : Fiscal 2009 : 71 million yen ; Fiscal 2008 : 99 million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Shareholder's Equity per Share
	Million yen	Million yen	%	Yen
Fiscal 2009	397,845	77,605	19.5	1,320.76
Fiscal 2008	387,273	80,772	19.9	1,351.96

(Reference) Shareholder's equity: Fiscal 2009 : 77,542 million yen ; Fiscal 2008 : 77,237 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 2009	9,963	-8,385	-4,979	13,091
Fiscal 2008	-2,996	-10,697	-3,883	15,851

2. Historical Payment of Dividends

(Record date)	Annual Cash Dividend per Share					Total Dividends (Year)	Payout Ratio (Consolidated)	Dividends per Net Assets (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of term	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal 2009	—	8.00	—	8.00	8.00	904	10.8	1.2
Fiscal 2008	—	10.00	—	10.00	20.00	1,171	—	1.5
Fiscal 2010 (Projected)	—	8.00	—	8.00	16.00	—	18.8	—

(Note) Detail of dividends of FY2009: commemorative dividends 2.00yen

3. Consolidated Projected Results of Operations during Fiscal Year 2010 (from April 1, 2009 to March 31, 2010)

(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		Net Income		Current Net Income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Midterm	463,000	(13.1)	1,800	-58.8	3,300	-46.0	1,700	—	28.96
Yearend	970,000	15.6	6,000	98.5	9,100	39.5	5,000		

4. Others

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

(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 further details, refer to item (6) Basis of Presenting Consolidated Financial Statements, 4 Accounting Principles, (1) Basis and Method of Valuation of Significant Assets and (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 2009 : 60,766,622 share Fiscal 2008 : 59,219,061 share
② The end of the term number of treasury stocks Fiscal 2009 : 2,056,071 share Fiscal 2008 : 2,089,059 share
(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 66.

(reference) Summary of Non-consolidated Financial Statements
1. Non-Consolidated Results of Operations for the March 20009 (from April 1, 2008 to March 31, 2009)
(1) Non-consolidated Results of Operations (The figures in percentages indicate changes year-on-year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2009	806,215	(4.1)	350	(-93.9)	2,698	(-66.8)	-4,174	—
Fiscal 2008	774,734	(6.2)	5,780	(14.0)	8,119	(13.1)	4,755	(20.9)

	Net Income per Share	Net Income per Share - Diluted
	yen	yen
Fiscal 2009	-70.46	—
Fiscal 2008	84.09	76.90

(2) Non-consolidated Financial Position

	Total Asset	Net Assets	Shareholder's Equity Ratio	Book-value Per Share
	Million yen	Million yen	%	yen
Fiscal 2009	378,513	64,928	17.1	1,104.62
Fiscal 2008	359,003	65,690	18.3	1,148.65

(reference) Shareholder's Equity Fiscal 2009 : 64,865 million yen Fiscal 2008 : 65,635 million yen

* 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 forecasts for the operating results for fiscal 2010, refer to item 1. Management Results, (1) Analysis Concerning Management Result (Projection for the Next Fiscal Year) on page 4.

1. Management Results

(1) Analysis Concerning Management Result

During the consolidated fiscal year ended March 2009, the Japanese economy showed increasing signs of an economic downturn, including sharp production cutbacks, curtailed capital investment, the contraction of employment and a steep decline in corporate earnings, mainly in the manufacturing industry, which has been hit by the global recession stemming from the US financial crisis.

The overall domestic market of the pharmaceutical industry is estimated to have grown moderately (growth of 2.4% on a year-on-year basis during the period from April 2008 to March 2009, according to a preliminary report released by Crecon Research & Consulting), sustained by the progressive aging of the Japanese population and the expanding market for pharmaceuticals for lifestyle-related diseases, despite the implementation of the revision of the National Health Insurance drug prices (a price cut by an average of 5.2%) and the revision of the medical fee scheme in April 2008.

Meanwhile, the overall pharmaceutical wholesale industry was committed to improving its distribution systems in order to deal with the issues of provisional shipping with the pricing yet to be negotiated, total value transactions, and differentiated pricing, in response to the emergency proposal of the Council for Improvement in Pharmaceutical Product Distribution (Ryukaikon) and, as a result, achieved a certain level of results.

In the third year of its medium-term management plan, “The Third Founding-Innovation and Creation 07–09,” the Toho Pharmaceutical Group continued to prioritize its key policies of normalizing and streamlining operations, seeking higher added value and reinvigorating its organization and human resources. The Company has vigorously promoted proposal-based marketing that is centered on price negotiations to achieve fair profits and its unique customer support systems. As a result of these initiatives, the Company believes that it has achieved some positive results in normalizing operations, in particular in terms of correcting the issues of provisional shipping with the pricing yet to be negotiated and total value transactions. In terms of adding higher value to its operations, the Company has established a fee-based business model in which the Company collects usage fees in exchange for its services.

However, during the current consolidated fiscal year, markdown pressures from medical institutions, primarily those from large hospitals, resulting from the worsened business environment, including a curb on the number of medical examinations by patients due to the sluggish economy, showed no sign of reaching the low point. Furthermore, severe price competition among pharmaceutical wholesalers has continued and the pricing environment has deteriorated beyond the Company’s projections. Harsh price negotiations did not show any sign of easing until the end of March 2009, and the Company was unable to cover the lowering of profits on each item, despite the active promotion of marketing activities to absorb falling selling prices. Consequently, the Company was obliged to face materially reduced profit ratios compared with the previous year.

As a result, net sales for the current consolidated fiscal year were 838,903 million yen, an increase of 4.2% over the previous year. The consolidated operating income was 3,021 million yen, a decrease by 70.6% compared with the preceding year, and ordinary income was 6,525 million yen, a fall by 53.1% against the previous year. Furthermore, the Company posted Fuji Biomedix related extraordinary losses of 7,838 million yen. As a result, the consolidated net account for the current consolidated fiscal year was a loss of 2,471 million yen.

(Review of Operations by Business Segment)

In the pharmaceutical wholesaling operations, net sales for the current consolidated fiscal year amounted to 826,739 million yen (up by 4.0% on a year-on-year basis), sustaining a growth rate exceeding the market average, and the operating income was 2,858 million yen (down by 72% on a year-on-year basis). In addition, net sales include internal sales between business segments of 10,938 million yen.

During the current consolidated fiscal year, Yamaguchi Toho Co., Ltd (headquartered in Tsuchiura, Ibaraki Prefecture), whose primary trading area is Ibaraki Prefecture, and Ogawa Toho Co., Ltd. (headquartered in Takasaki, Gunma Prefecture), whose primary trading area is Gunma Prefecture were made the Company’s wholly owned subsidiaries on October 1, 2008, and also Sue Yakuhin Co., Ltd. (headquarters: Midori, Gunma Prefecture) having its main market in Gunma Prefecture was made the Company’s wholly owned subsidiary on November 1, 2008. In addition, the Company made Nagaoka Yakuhin Co., Ltd. (headquarters: Nagaoka, Niigata Prefecture) having its market in Niigata Prefecture its wholly owned subsidiary on February 27, 2009, and consolidated it with its wholly owned subsidiary Honma Toho Co., Ltd. (headquarters: Niigata, Niigata Prefecture) having its market in Niigata Prefecture on April 1, 2009.

In dispensing pharmacy operations, existing stores grew steadily. In addition, the Company made two companies of the Zenkaido Pharmacy Group its wholly owned subsidiaries on May 1, 2008, and made the consolidated subsidiary Ethos Inc. its 100% subsidiary on November 1, 2008. As a result, net sales for the current consolidated fiscal year were 22,575 million yen (up by 45.0% on a year-on-year basis), and operating income stood at 1,318 million yen (up by 35.1% against the previous year).
In CRO and SMO operations, net sales for the current consolidated fiscal year were 526 million yen (down by 24.6% from the previous year) and the operating account showed a loss of 278 million yen.

(Projections for the Next Fiscal Year)
The pharmaceutical wholesaling industry the Company belongs to is forecasted by Crecon Research and Consulting to grow 4.1% on a year-on-year basis in the fiscal year ending March 2010, despite the spreading of measures to curb medical costs including promotion of the use of generic pharmaceuticals, the introduction of DPC (Diagnosis Procedure Combination), as well as reducing the number of medical examinations by patients due to the sluggish economy. In the next fiscal year, there will remain uncertain factors such as the negative impact of markdown pressures from large medical institutions that have continued from the preceding year and the severe price competition among pharmaceutical wholesalers. Taking into consideration an increase in net sales due to the increased number of consolidated subsidiaries and measures to improve profitability through a review of procurement costs, the Company expects that net sales for the following consolidated fiscal year ending March 2010 will be 970,000 million yen (115.6% of those in the preceding year), operating income will be 6,000 million yen (198.5% of that of last year), ordinary income will be 9,100 million (139.5% of that in the previous year), and the consolidated net income will be 5,000 million yen (up by 7,471 million yen from the preceding year).

(2) Analysis Concerning the Financial Position

① State of assets, liabilities, and net assets

(i) Asset

Consolidated current assets as of the end of March 2009 increased 4.1% from the end of the preceding consolidated fiscal year to 305,589 million yen, due mainly to an increase in notes and accounts receivable of 11,435 million yen, an increase in other accounts receivable of 1,791 million yen and an increase in short-term loans receivable of 3,290 million yen, despite decreases in cash on hand and deposits and products by 2,970 million yen and 1,057 million yen, respectively.
Fixed assets as of the end of March 2009 decreased 1.7% from the end of the previous year to 92,256 million yen, due primarily to decreases in investment securities and investment in the shares of affiliates by 2,390 million yen and 1,633 million yen, respectively, despite increases in goodwill and the allowance for doubtful receivables by 2,026 million yen and 1,026 million yen respectively.
As a result, consolidated total assets as of the end of March 2009 increased 2.7% from the end of the previous consolidated fiscal year to 397,845 million yen.

(ii) Liability

Consolidated current liabilities as of the end of March 2009 increased 7.6% against the end of the previous consolidated fiscal year to 299,087 million yen, which is attributable mainly to increases in notes and accounts payable and bonds redeemable within one year by 18,802 million yen and 6,169 million yen respectively, despite decreases in short-term loans payable and income taxes payable by 1,423 million yen and 2,402 million yen, respectively.
Consolidated long-term liabilities decreased 26.0% from the end of the previous fiscal year to 21,153 million yen, due mainly to decreases in bonds and other long-term liabilities by 9,600 million yen and 1,045 million yen respectively, despite an increase in long-term debt of 3,228 million yen.
As a result, total liabilities as of the end of the current fiscal year increased 4.5% against the end of the last year to 320,240 million yen.

(iii) Net assets

Total net assets as of the end of the current consolidated fiscal year decreased 3.9% from the end of March 2008 to 77,605 million yen, due primarily to decreases in treasury stocks and retained earnings by 1,455 million yen and 3,696 million yen, respectively, and decreases in unrealized gains on available-for-sale securities and minority interests by 1,449 million yen and 3,480 million yen, respectively, despite an increase in the capital surplus of 3,880 million yen.

② Cash Position

Cash and cash equivalents (hereinafter referred to as "cash") during this consolidated fiscal year decreased by 2,760 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 13,091 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

The cash flow from operating activities was an inflow of 9,963 million yen (an increase of 22,960 million yen on a year-on-year basis), which is attributable mainly to positive factors to increase cash such as an increase in notes and accounts payable of 19,538 million yen, a decrease in inventories of 1,720 million yen and increases in non-monetary losses of the loss on the revaluation of investment in the stocks of affiliates of 5,586 million yen and an increase in the allowance for doubtful receivables of 1,035 million yen, despite negative factors, including an increase in notes and accounts receivable of 12,032 million yen, payment of income taxes of 4,188 million yen and expenditures for the fulfillment of guaranty liabilities of 2,000 million yen.

(ii) Cash Flows from Investing Activities

Cash flow from investing activities was an outflow of 8,385 million yen (a decrease of 2,311 million yen on a year-on-year basis), due primarily to payment for extension of loans of 3,981 million yen and an expenditure for purchase of stocks of subsidiaries and affiliates of 3,991 million yen.

(iii) Cash Flows from Financing Activities

The cash flow from financing activities was an outflow of 4,979 million yen (an expansion of 1,096 million yen on a year-on-year basis), due mainly to expenditures for the redemption of bonds through purchases in the market of 3,391 million yen, payment for the acquisition of treasury stocks of 1,947 million yen, a net decrease in short-term loans payable of 1,423 million yen and the payment of cash dividends of 1,041 million yen, despite proceeds from long-term debt of 4,100 million yen.

(Reference) Trends in key indicators of cash flows

	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
Shareholder's Equity Ratio (%)	14.8	15.9	17.9	19.9	19.5
Shareholder's Equity Ratio (%) at Market Value	17.8	25.2	30.6	37.2	14.0
Ratio of cash flows to interest-bearing debts (%)	177.1	244.2	22.3	-	1.0
Interest Coverage Ratio (time)	38.1	27.9	251.3	-	75.6-

* 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 decided to pay a 60-year anniversary commemorative dividend of 4 yen per share, in addition to the common annual dividend of 16 yen per share (8 yen per share for both interim dividend and year-end dividend), totaling 20 yen per share.

In the next fiscal year, we plan to pay a common annual dividend of 16 yen per share (8 yen for both the interim dividend and year-end dividend).

(Acquisition of Treasury Stock)

To implement flexible capital policies, the Company acquired 1,980,000 treasury stocks equivalent to 3.3% of the outstanding shares from the stock market at a total cost of 1,937 million yen during the period from February 27, 2009 to March 19, 2009, based on a resolution of the board of directors. As a result, the number of treasury stocks owned by the Company as of the end of the current fiscal year was 2,056,071 shares. The Company intends to hold them as treasury stocks 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 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 8, 2009).

Ⅰ Pharmaceutical Wholesaling Operations

1. Legal Regulations

In its pharmaceutical wholesaling operations segment, as of the end of March 2009, the Toho Pharmaceutical Group, together with the Company's business alliance partners (16 members of the Kyoso Mirai Group), has established a combined network of sales bases spanning an archipelago that includes 43 prefectures, from Hokkaido to Kyushu. The Toho Pharmaceutical Group is subject to the Pharmaceutical Affairs Law and other related laws and regulations regarding the Group's establishment of sales offices and the marketing and administrative activities of pharmaceuticals and other products. These require the Group to obtain the necessary approvals, registrations, designations and/or licenses from the prefectural governors in whose jurisdiction the 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 wholesaling segment.

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

The prescription 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 Minister 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 Ministry of Health, Labour and Welfare carries out a survey on the prevailing prices of prescription pharmaceuticals in the marketplace ("drug price survey" hereinafter) and revises the NHI Drug Price Standards once every two years to reflect its findings. The Standards were revised in April of 2004, 2006, and 2008 when the NHI prices were cut, respectively, by 4.2%, 6.7%, and 5.2%.

The Toho Pharmaceutical Group's performance is likely to be affected by the conservative purchasing of pharmaceuticals by medical institutions prior to the revision of the NHI Drug Price Standards and by the consequences of a downward revision that has cut the prices.

In addition to revisions in the Standards, the reform of the NHI system being implemented by the government in order to restore health insurance finances to a better status directly affect the earnings structure of medical institutions and dispensing pharmacies that are the main customers that 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 the scale, as seen in public hospitals' more prevalent use of joint purchasing practices and the consolidation of dispensing pharmacy chains into larger groups. Since these efforts also increase their purchasing power, medical institutions and dispensing pharmacies have tended to adopt stronger policies to gain the benefits of their expanded scale operations as reflected in their purchasing prices.

The government adopted a policy of encouraging the use of generic products from April 2008. Therefore, the Group expects 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 for its 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 medical institutions or dispensing pharmacies based on the mutual understanding that both parties will negotiate the price at a later date. This practice has been fostered by the life or death nature of the market for pharmaceutical products that allows no excuse for any delay in a shipment. Provisional payments are customarily made in reference to the NHI Drug Price Standards, before the sale/purchase price is determined.

Conversely, prolonged price negotiations may adversely affect the Group's operating results.

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 amount of purchases increases, and pharmaceutical wholesalers can effectively reduce their purchase prices as a result of acquiring sales rebates.

Consequently, if part of a pharmaceutical manufacturer's business policies or price system is changed, this may have a materially adverse impact on the Group's performance according to the contents of the change.

Ⅱ Dispensing Pharmacies Operations

1. Legal Regulations

① Opening of a dispensing pharmacy

The Group's dispensing pharmacy business segment has established a sales network consisting of 17 companies covering 25 prefectures, as of the end of March 2009. The Toho Pharmaceutical Group is subject to the Pharmaceutical Affairs Law and other related laws and regulations regarding any opening of a new dispensing pharmacy and the marketing and administrative activities of pharmaceuticals, as in the case of pharmaceutical wholesaling businesses. These require the Group to obtain necessary approvals, registrations, designations and/or licenses from the prefectural governors in whose jurisdiction the 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 performance in its dispensing pharmacy business.

Securing pharmacists

At dispensing pharmacies, the work of dispensing medicines by persons other than pharmacists is prohibited. Consequently, if a resident pharmacist system and services by him/her for patients cannot be ensured at a pharmacy for the full extent of its business hours, the regulation above may affect the Group's maintenance of pharmacies and the opening of new pharmacies as well as the performance of its dispensing pharmacy business.

2. State of Corporate Group

As for dispensing pharmacy operations, revenues from the sales of prescription pharmaceuticals based on the NHI Drug Price Standards above and revenues such as dispensary fees and pharmaceutical administration fees based on medical fee points for dispensing as stipulated in the National Health Insurance Law are the main revenues. Accordingly, if the Group is unable to reduce the purchase prices of dispensary pharmaceuticals after the revision of the NHI Drug Price Standards, or if the medical fee points system is changed through a revision of the dispensary fees and subsequently the medical fee points for dispensing are reduced, these situations may affect the Group's performance.

Furthermore, the framework reforms being implemented by the government to secure the soundness of health insurance finances may result in a decrease in the number of patients and a decrease in the number of prescriptions issued by medical institutions, according to previous trends. If this eventuates, the Group's operating results may be affected.

In addition, since the promotion of the use of generic pharmaceuticals was incorporated in the government's policy in April 2008, the possibility that the use of cheaper generic products will become more likely in the near future. In this case, the Group's performances may be adversely affected.

As mentioned above, revisions to the health insurance system, including a revision of the NHI Drug Price Standards, may materially affect the operating results of the Group.

3. Business Practices Unique to the Industry

① System to separate dispensing and prescribing functions

The dispensing pharmacy business is engaged mainly in prescription and sale of prescription pharmaceuticals according to prescriptions issued by medical institutions. Consequently, if any change occurs in the business environment surrounding the industry including future movements of the system of separation of dispensing and prescribing functions, and if a medical institution abolishes the separation above (returning to in-house prescription), transfers to another place or discontinues its business, the number of prescriptions received by a dispensing pharmacy may fluctuate. In this case, the Group's operating results may be affected according to these fluctuations.

② Dispensing operations

If any error occurs in dispensing operations due to the characteristics of prescription pharmaceuticals, this may damage the human body. Therefore, the Toho Group is actively involved in activities to improve the skills and knowledge of pharmacists, and at the same time is promoting a systemic upgrading of management systems. In addition, the Group has insured all stores for pharmacist's liability insurance.

However, if a dispensing error occurs due to human error, the pharmacy concerned may not only face a claim for substantial damages, but existing customers and the society may also lose confidence in it. In this case, the Group's performance may be affected according to severity of the error.

③ Consumption taxes

Although prescription pharmaceuticals that a dispensing pharmacy sells to patients are non-taxable goods based on the Consumption Tax Law, those that a dispensing pharmacy purchases from a pharmaceutical wholesaler are taxable (e.g. consumption taxes) based on this same law. Against this background, the dispensing pharmacy is liable, as the final user, for consumption taxes at its own expense. At the time of the introduction of the consumption taxes and the revision of the tax rate, the amount of consumption taxes based on the former tax rate and those due to increased tax rates were taken into consideration in the revision of the NHI Drug Price Standards. However, there is no guarantee of the same treatment in future. Therefore, if the NHI Drug Price Standards are not revised according to the change in the tax rate when a revision of the consumption tax occurs in future, it may affect the Group's operating results.

III. Business Risks common to the Group

Control of personal information

The Toho Group is handling a substantial amount of personal data concerning health personnel in pharmaceutical wholesale operations and patients in dispensing pharmacy operations. With respect to the personal data on health professionals and patients, if there is any irregularity in handling them, the Group may face more severe claims for compensation compared with cases involving general personal data, due to its value as an asset and high degree of confidentiality. In addition, pharmacists working in dispensing pharmacy operations are legally obligated to maintain confidentiality. Consequently, the Group is involved in activities to promote a full understanding of the issue of the protection of personal information among all employees concerned and is upgrading its control system.

However, if any leakage of personal data occurs due to human error, the Group may not only face a claim for a large amount of damages, but may also lose the confidence of existing customers and the society. In this case, the Group's performance may be affected according to the level of the adverse effects.

2. State of Corporate Group

For the purposes hereof, the Group (TOHOHOLDINGS and its associated companies) or simply the “Group” consists of TOHO HOLDINGS or simply the “Company,” 43 subsidiaries, and 12 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.

In addition, the following four business segments are the same as those described in item No.5. Financial Status, 1. Consolidated Financial Statements, (1) Notes on the Consolidated Financial Statements.

(1) Pharmaceutical Operations

The Company, 11 subsidiaries (Kyushu Toho, Mori Pharmaceutical, Honma Toho, SANUS, Koyo, Godo Toho, Sue Yakuhin, Yamaguchi Toho, Ogawa Toho, and 2 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 18 subsidiaries (Ethos, Chuoh Medical, Toyaku, Zenkaido, and 14 others) and four affiliated companies (Wakaba, and three others). The Company also supplies the products to the 11 subsidiaries and two affiliates mentioned above.

(2) Dispensing Pharmacies Operations

Ethos, Chuoh Medical, Toyaku, Chuo Medical and 14 other companies (subsidiaries), and Wakaba and four other companies (associates) primarily manage health insurance dispensing pharmacies.

(3) Site Management Organization (SMO) Operations

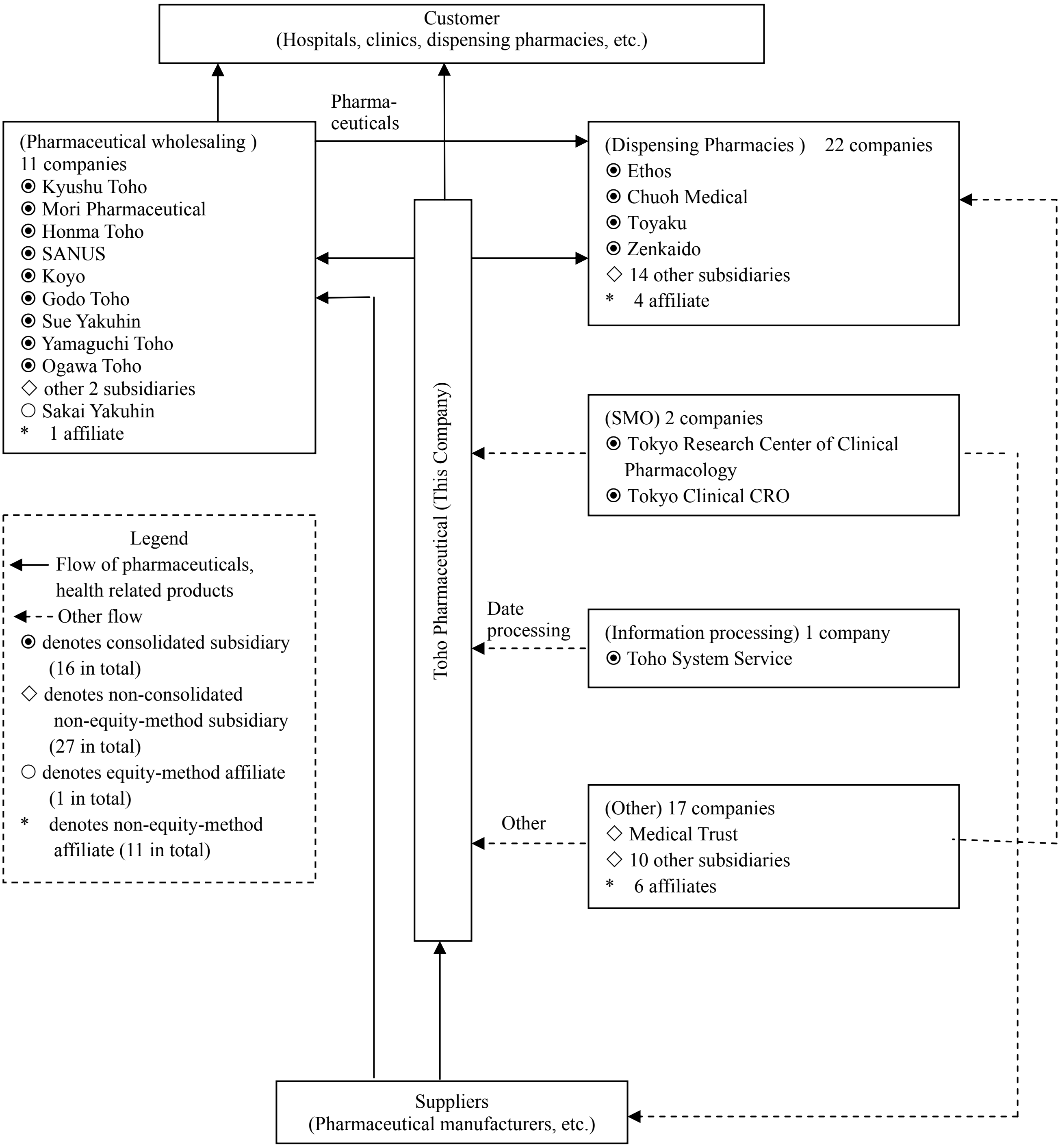
The Tokyo Research Center of Clinical Pharmacology, a subsidiary, undertakes SMO (Site Management Organization) operations.

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

(4) Other Operations

Medical Trust, a subsidiary, and 16 other companies (10 subsidiaries and 6 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. Company represented on Board of Directors.
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.
Sue Yakuhin	Midori city, Gunma	30	Pharmaceutical wholesaling	100.00	Supplied by Company with pharmaceuticals. Company represented on Board of Directors.
Yamaguchi Toho	Tsuchiura City, Ibaraki	20	Pharmaceutical wholesaling	100.00	Supplied by Company with pharmaceuticals. Company represented on Board of Directors.
Ogawa Toho	Takasaki City, Gunma	20	Pharmaceutical wholesaling	100.00	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.
Ethos	Chuoh Ward, Tokyo	50	Operation of dispensing pharmacies and small-lot wholesaling of pharmaceuticals	100.00	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	100.00 (100.00)	Supplied by Company with pharmaceuticals. Company represented on Board of Directors.
Toyaku	Chuoh Ward, Tokyo	10	Operation of dispensing pharmacies	100.00 (100.00)	Supplied by Company with pharmaceuticals. Company represented on Board of Directors.
Zenkaido Yakkyoku	Nishi Ward, Niigata City, Niigata	9	Operation of dispensing pharmacies	100.00	Supplied by Company with pharmaceuticals.
Tokyo Research Center of Clinical Pharmacology	Shinjuku Ward, Tokyo	401	SMO	100.00	Supported financially by Company. Company represented on Board of Directors.
Tokyo Clinical CRO	Shinjuku Ward, Tokyo	10	CRO	100.00	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. 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 2010 to the fiscal year ending in March 2012, targeting to achieve 1,080,000 million yen in net sales, 10,500 million yen in operating income, and 15,000 million yen in ordinary 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

＜Shift to Holding Company System＞

On April 1, 2009, through the transfer of its pharmaceutical wholesale business and the dispensing pharmacy business to its wholly owned subsidiaries, the Company shifted to a pure holding company structure consisting of two core businesses. This business organizational reform aims to further enhance management functions, to improve the efficiency of management and to promote flexible business deployment and decision-making, as well as intending to realize swift responses to significant changes in the overall medical industry resulting from reforms of the national health insurance system, the falling birthrate and the aging population and progress in the separation of dispensing and prescribing functions. Furthermore, the Group expects to realize an increase in its corporate value through cooperation among its subsidiaries and affiliates who share the concept of valuing the "Customer's viewpoints" common to all of them, while still displaying the specialization of each one.

<Internal Control>

In accordance with the Corporation Law, the Company has established its Basic Policy Governing Internal Control Systems and has worked to ensure strict compliance involving the entire organization. In its compliance and risk management efforts, in particular, we have set up a 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.

Since the internal controls over financial reporting set out in the Financial Instruments and Exchange Law came into effect in FY2008, the Company has evaluated the validity of company-wide internal controls, selected work processes subject to assessment based on the results of the evaluation, and now assesses the validity of internal controls over relevant work processes. The Company will continue to maintain and operate the validity of internal controls for the following fiscal year onward.

＜Financial Status＞

With respect to its financial status, 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 structure, and particularly enhance its capital structure. The Company enjoys a good cash position, as it has low reliance on interest-bearing debts. Furthermore, from the perspective of promoting cash flow management, the Company will strive to promote greater business efficiency, targeting the achievement of a product inventory turnover goal of 0.50 months (6-month average) and an accounts receivable goal of 2.50 months (6-month average) by March 2012. As of the end of March 2009, the inventory turnover was 0.63 months, and the number of months of accounts receivable was 2.89 months.

≪Pharmaceutical Wholesaling Business≫

<Improvement in Distribution>

Responding to the "emergency proposal" published by the Council for Improvement in Pharmaceutical Product Distribution (Ryukaikon) in September 2007 and reported to the Drug Price Committee of the Central Social Insurance Medical Council (Chuikyo) in October 2007, the whole Toho Group strived with the issues of provisional shipping with the pricing yet to be negotiated, total value transactions, and differentiated pricing, and achieved certain outcomes, but correction of the issue of differentiated pricing was left unresolved. The Toho Group will continue to focus on improving the distribution of pharmaceuticals to increase its existence value as a pharmaceutical wholesale company with the establishment of good distribution systems.

<Kyoso Mirai Group>

The Kyoso Mirai Group is organized by Toho Pharmaceutical 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.

During the current consolidated fiscal year, the Company made Yamaguchi Toho Co., Ltd. (headquarters: Tsuchiura, Ibaraki Prefecture), of which the main trading area was Ibaraki Prefecture, and Ogawa Toho Co., Ltd. (headquarters: Takasaki, Gunma Prefecture), of which the main trading area was Gunma Prefecture, its wholly owned subsidiaries on October 1, 2008. In addition, Sue Yakuhin Co., Ltd. (headquarters: Midori, Gunma Prefecture), having its main market in Gunma Prefecture, was made the Company's wholly owned subsidiary on November 1, 2008. The Company also made Nagaoka Yakuhin Co., Ltd. (based in Nagaoka, Niigata Prefecture), having its main market in Niigata Prefecture, its wholly owned subsidiary on February 27, 2009, and consolidated it with its wholly owned subsidiary Honma Toho Co., Ltd. (headquarters: Niigata, Niigata Prefecture), having its main market in Niigata Prefecture, on April 1, 2009.

<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.

<Initiatives to Explore and Develop New Business Models and Formats>

The Company formed an operating alliance with OHKI (headquartered in Bunkyo-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.

Furthermore, the Company made a business alliance on March 12, 2009, concerning the development of recruiting business in the medical-related field with MD Management Co., Ltd., which is engaged in the recruiting business and the medical management consulting business in the medical-related field, with the aim of establishing a business model for solving issues of the shortage of human resources and the uneven allocation of manpower in the medical field. The business model also includes existing consulting business, including dispatching pharmacists, national registered dietitians, and MRs.

<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.

<Greater Business Efficiencies>
As for greater business efficiency on a consolidated basis, the Company has strived 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 consolidated term were an automated order receipts ratio of 62.8% (up 5.9% from the end of the preceding term), an automated collections ratio of 94.5% (up 1.5% from the end of the previous term), and a separated sales and distribution ratio of 86.4% (up 6.4% from the end of the last year).

<Wide-Area Wholesaling Function>
The Toho Group believes that the mission of pharmaceutical wholesalers should be to "realize the safe and secure distribution of pharmaceuticals." Toward this end, the Group has promoted efforts to reduce human errors to zero as far as possible with complete mechanization and systematization operations at all its logistics centers, including TBC Tokyo, and to relieve the workload burden on the sales offices. TBC Tokyo achieved a shipping accuracy rate of 99.999%. Furthermore, the Group has implemented many control systems at the branch level in pursuit of enhancing the traceability of pharmaceuticals (from the pharmaceuticals manufacturer to the patients), and, at the same time, has continued to phase in a shift to adopting a bar-coded sales slip format in order to heighten its ability to deliver to customers with increased accuracy.

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>
The Toho Group has continued to enhance its field sales information management systems in order to correspond to the increasingly diversifying sales strategies that manufacturers initiate. The speedy and detailed management and reporting of information are particularly crucial as they relate to sales promotions (field sales representatives' marketing activities). It is also increasingly essential to coordinate these activities by facilitating timely information exchanges, in conjunction with MRs (Medical Representatives). The Company has built an information sharing system with manufacturers in order to meet these challenges. The Company has standardized data formats that differ according to manufacturer and been able to minimize the amount of office work MSs (Medical Specialists) are required to do after returning from a day in the field, by using a function that enables them to enter their activity reports via voice recognition technology on their "Meissa", a handheld terminal provided to each MS.
With respect to operations at call centers in the eastern part and the western part of Japan, the Company has improved work processes by taking advantage of a database of historical responses to customer calls. The Company will continue to seek improvements focusing on preventing opportunity losses 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 coherent efforts by the Sales and Marketing Division, the Customer Support Division, and the Logistics Division. Furthermore, the Company has implemented its new call center initiative to offer drug information (DI) for sales promotions (in an outbound direction).

<Customer Support System>

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 current consolidated fiscal year, the Company concentrated on sales through "e.ENIF.net," which is an inventory control and ordering support system using the Internet, in order to improve efficiency in management administration particularly for pharmacies having multiple stores.

≪Dispensing Pharmacy Business≫

＜Dispensing Pharmacy Operations＞

The Company made the Zenkaido Pharmacy Group (headquarters: Niigata, Niigata Prefecture), which has dispensing pharmacy operations primarily in Niigata Prefecture, its wholly owned subsidiary on May 1, 2008. In addition, the Company also made consolidated subsidiary Ethos Inc. (headquarters: Chuo-ku, Tokyo), which is engaged in the management of dispensing pharmacies and divided package sales of pharmaceuticals, its wholly owned subsidiary on November 1, 2008. The Group has given full support to ensuring the sound management of personal pharmacies in each community through its sales strength, including its own customer support system, while, through the concrete deployment of vertical cooperation with dispensing pharmacies, the Company has pursued a new "soft" alliance model of the functional type placing greater importance on relationships among health insurance pharmacies, medical institutions preparing prescriptions and the patients, based on its basic philosophy of "Kyoso Mirai", and developed the model as a stable profit-making business from the long-term perspective. To this end, the Company launched the Pharmacy Kyoso Mirai Study Group to support middle-ranking small and medium-sized pharmacies planning to independently survive in community healthcare. The Study Group aims to jointly solve issues of the "improvement of management efficiency", "patient support functions" and "securing and training of pharmacists", which are difficult for each individual dispensing pharmacy to solve.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Unit: million yen)

	Fiscal 2008 (As of March 31, 2008)	Fiscal 2009 (As of March 31, 2009)
Assets		
Current assets		
Cash on hand and on deposit	*3 16,742	*3 13,772
Notes and accounts receivable	205,355	216,791
Marketable securities	498	500
Inventories	46,460	—
Products	—	45,403
Deferred tax assets	1,614	2,002
Purchase rebates receivable	12,130	11,883
Other	11,007	15,633
Allowance for doubtful receivables	-385	-398
Total current assets	293,424	305,589
Fixed assets		
1. Property, plant and equipment		
Buildings and structures	*3 14,821	*3 14,648
Vehicles and carriers	21	20
Land	*3,*5 29,391	*3.*5 29,248
Lease assets	—	309
Construction in progress	241	30
Other	1,068	908
Total property, plant and equipment	*1 45,545	*1 45,166
Intangible fixed assets		
Goodwill	6,371	8,398
Other	2,640	2,462
Total intangible fixed assets	9,011	10,861
Investments and other assets		
Investments in securities	*2,*3 33,700	*2,*3 29,677
Long-term loans receivable	843	902
Deferred income taxes	173	197
Other	5,493	7,398
Allowance for doubtful receivables	-920	-1,946
Total investments and other assets	39,291	36,229
Total fixed assets	93,849	92,256
Total assets	387,273	397,845

(Unit: million yen)

	Fiscal 2008 (As of March 31, 2008)	Fiscal 2009 (As of March 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable	*3 259,717	*3 278,520
Short-term loans payable	*3 6,263	*3 4,839
Current portion of bonds	—	6,169
Current portion of long-term debt	*3 232	*3 707
Lease obligations	—	145
Income taxes payable	3,003	601
Accrued expenses	1,524	1,518
Accrued bonuses	2,506	2,555
Directors' bonuses	75	80
Reserve for sales returns	319	273
Other	4,256	3,676
Total current liabilities	277,898	299,087
Long-term liabilities		
Bonds payable	9,900	300
Long-term debt	*3 535	*3 3,763
Lease obligations	—	479
Deferred tax liabilities	7,986	7,311
Accrued retirement benefits for employees	2,095	2,172
Deferred tax liabilities due to revaluation	*5 1,309	*5 1,309
Negative goodwill	2,839	2,926
Other	3,936	2,891
Total long-term liabilities	28,601	21,153
Total liabilities	306,500	320,240
Net assets		
Shareholders' equity		
Common stock	10,599	10,649
Capital surplus	24,181	28,062
Retained earnings	48,829	45,133
Treasury stock	-3,436	-1,980
Total shareholders' equity	80,175	81,865
Unrealized gains on revaluation		
Unrealized gains on available-for-sale securities	1,699	249
Unrealized gains on revaluation of land	*5 -4,637	*5 -4,572
Total unrealized gains on revaluation	-2,937	-4,322
Equity warrants	54	62
Minority interests	3,480	—
Total net assets	80,772	77,605
Total liabilities and net assets	387,273	397,845

(2) Consolidated profit and loss statement

(Unit: million yen)

	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
Net sales	805,419	838,903
Cost of sales	739,485	776,610
Gross income	65,933	62,293
Reversal of reserve for sales returns	-5	46
Gross income after reserve for sales returns	65,928	62,339
Selling, general and administrative expenses		
Directors' salaries and employees' salaries and allowances	28,489	30,475
Provision for accrued bonuses	2,446	2,519
Provision for directors' bonuses	75	76
Provision for accrued retirement benefits for employees	313	193
Welfare expenses	4,493	4,704
Vehicle expenses	1,149	1,229
Depreciation and amortization	2,077	2,171
Amortization expenses for goodwill	900	1,344
Rent	4,436	4,631
Taxes and dues	784	745
Miscellaneous expenses	10,492	11,225
Total selling, general and administrative expenses	55,658	59,317
Operating income	10,269	3,021
Non-operating income		
Interest income	137	141
Dividend income	340	418
Information sales income	1,884	1,940
Real estate rental income	163	168
Amortization expenses for negative goodwill	1,204	1,194
Equity in earnings of investees	99	71
Miscellaneous income	618	676
Total non-operating income	4,448	
Non-operating expenses		
Interest expenses	103	132
Specified line commitment fees	37	36
Loss before deduction of temporary consumption tax payment	619	837
Provision of allowance for doubtful accounts	—	29
Miscellaneous losses	56	72
Total non-operating expenses	816	1,107
Ordinary income	13,901	6,525

(Unit: million yen)

	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
Extraordinary gains		
Gains on sales of fixed assets	*1 255	*1 0
Gains on sales of investment securities	76	275
Gains on sales of golf club memberships	0	—
Reversal of allowance for doubtful accounts		92
Gain on revision of retirement benefit plan	259	220
Other	63	7
Total extraordinary gains	655	597
Extraordinary losses		
Loss on disposal of fixed assets	*2 312	*2 58
Loss on revaluation of investment securities	15	536
Loss on valuation of stocks of subsidiaries and affiliates	—	5,586
Loss on sale of golf club memberships	2	—
Directors' retirement benefits	35	—
Impairment loss	*3 339	*3 295
Provision of allowance for doubtful accounts	—	
Others	94	101
Total extraordinary losses	799	7,828
Income (loss) before income taxes	13,757	-715
Corporate income, inhabitant and enterprise taxes	5,121	1,748
Adjustments for income taxes	-324	-35
Total income taxes and other	4,797	1,712
Minority interests	578	
Current net profit (losses)	8,381	-2,471

(3)【Consolidated Statement of Changes in Shareholders' Equity】

(Unit: million yen)

	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
Shareholder's Equity		
Common stock		
Balance at the end of the preceding term	10,599	10,599
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	—	50
Total changes of items during the period	—	50
Balance at the end of the current term	10,599	10,649
Capital surplus		
Balance at the end of the preceding term	23,597	24,181
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	—	49
Own company stock disposed	—	-4
Increase by share exchanges	583	3,835
Total changes of items during the period	583	3,880
Balance at the end of the current term	24,181	28,062
Retained earnings		
Balance at the end of the preceding term	41,362	48,829
Changes of items during the period		
Surplus distributed to shareholders	-789	-1,041
Net income	8,381	-2,471
Increase by merger	—	-118
Reversal of revaluation reserve for land	-124	-65
Total changes of items during the period	7,467	-3,696
Balance at the end of the current term	48,829	45,133
Treasury stock		
Balance at the end of the preceding term	-3,481	-3,436
Changes of items during the period		
Own company stock reacquired	-1,901	-1,949
Own company stock disposed	1,946	3,404
Total changes of items during the period	45	1,455
Balance at the end of the current term	-3,436	-1,980
Total shareholder's equity		
Balance at the end of the preceding term	72,078	80,175
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	—	100
Surplus distributed to shareholders	-789	-1,041
Net income	8,381	-2,471
Own company stock reacquired	-1,901	-1,949
Own company stock disposed	1,946	3,399
Increase by merger	—	-118
Increase by share exchanges	583	3,835
Reversal of revaluation reserve for land	-124	-65
Total Changes of items during the period	8,096	1,689
Balance at the end of the current term	80,175	81,865

(Unit: million yen)

	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
Unrealized gains on revaluation		
Unrealized gains on available-for-sale securities		
Balance at the end of the preceding term	3,732	1,699
Changes of items during the period		
Net changes of items other than shareholders' equity	-2,032	-1,449
Total changes of items during the period	-2,032	-1,449
Balance at the end of the current term	1,699	249
Unrealized gains on revaluation of land		
Balance at the end of the preceding term	-4,762	-4,637
Changes of items during the period		
Net changes of items other than shareholders' equity	124	65
Total changes of items during the period	124	65
Balance at the end of the current term	-4,637	-4,572
Total unrealized gains on revaluation		
Balance at the end of the preceding term	-1,030	-2,937
Changes of items during the period		
Net changes of items other than shareholders' equity	-1,907	-1,384
Total changes of items during the period	-1,907	-1,384
Balance at the end of the current term	-2,937	-4,322
Equity warrants		
Balance at the end of the preceding term	21	54
Changes of items during the period		
Net changes of items other than shareholders' equity	32	8
Total changes of items during the period	32	8
Balance at the end of the current term	54	62
Minority interests		
Balance at the end of the preceding term	5,720	3,480
Changes of items during the period		
Net changes of items other than shareholders' equity	-2,240	-3,480
Total changes of items during the period	-2,240	-3,480
Balance at the end of the current term	3,480	—
Total net assets		
Balance at the end of the preceding term	76,790	80,772
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	—	100
Surplus distributed to shareholders	-789	-1,041
Net income	8,381	-2,471
Own company stock reacquired	-1,901	-1,949
Own company stock disposed	1,946	3,399
Increase by merger	—	-118
Increase by share exchanges	583	3,835
Reversal of revaluation reserve for land	-124	-65
Net changes of items other than shareholders' equity	-4,115	-4,857
Total changes of items during the period	3,981	-4,857
Balance at the end of the current term	80,772	77,605

(4) 【Consolidated Statements of Cash Flows】

(Unit: million yen)

	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
Cash flows from operating activities		
Income (loss) before income taxes	13,757	-715
Depreciation cost	2,077	2,171
Loss on impairment	339	295
Amortization expenses for goodwill	900	1,344
Amortization expenses for negative goodwill	-1,204	-1,194
Equity in earnings of investees	-99	—
Decrease in accrued employees' retirement benefits	-977	-84
Increase (decrease) in reserve for sales returns	5	-46
Increase in accrued bonuses	81	16
Increase (decrease) in accrued directors' bonuses	-17	1
Increase (decrease) in allowance for doubtful receivables	-105	1,035
Interest and dividend income	-478	-559
Research fee income	-1,884	—
Real estate rental income	-163	—
Miscellaneous income	-618	—
Interest expense	103	—
Specified line commitment fee	37	—
Loss before deduction of temporary consumption tax payment	619	—
Miscellaneous loss	56	—
Gain on sale of tangible fixed assets	-255	—
Loss on disposal of tangible fixed assets	308	—
Loss on retirement of intangible assets	3	—
Loss (gain) on sales and retirement of noncurrent assets	—	58
Gain on sale of investment securities	-76	—
Loss on revaluation of investment securities	15	—
Loss (gain) on sales and valuation of investment securities	—	261
Gain on sale of stocks of affiliated companies	—	5,586
Other extraordinary gains	-37	—
Gain on sale of golf club memberships	-0	—
Loss on sale of golf club memberships	2	—
Loss on revaluation of golf club memberships	—	12
Directors' retirement benefits	35	—
Other extraordinary losses	94	—
Other non-monetary profits/losses	98	—
Decrease (increase) in notes and accounts receivable-trade	-10,035	
Increase (decrease) in inventories	1,134	1,720
Decrease (increase) in purchase rebates receivable	-588	—
Increase (decrease) in other assets	-1,003	-691
Increase (decrease) in trade payables	-11,328	19,538
Increase (decrease) in other liabilities	266	142
Decrease in accrued consumption taxes	-798	-1,255
Others	—	-2,005
Subtotal	-9,736	-13,729

(Unit: million yen)

	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
Interest and dividend income	472	562
Research fees received	1,842	—
Real estate rental income	159	—
Miscellaneous income	589	—
Interest payment	-104	-131
Payment of specified line commitment agreement fee	-35	—
Miscellaneous payment	-50	—
Payment of directors' retirement benefits	-155	—
Payment due to switchover to defined contribution pension program	-543	—
Other extraordinary Payment	-45	—
Expenditures for the fulfillment of guaranty liabilities	—	-2,000
Payment of income taxes	-5,389	-4,188
Other	—	1,991
Net cash provided by operating activities	-12,996	9,963
Cash flows from investing activities		
Payment for addition to time deposits	-192	-259
Proceeds from refunds of time deposits	212	842
Payment for acquisition of property, plant and equipment	-2,065	-863
Payment for disposal of property, plant and equipment	-98	—
Proceeds from sale of property, plant and equipment	801	200
Payment for acquisition of goodwill	-120	—
Payment for acquisition of software	-169	—
Payment for acquisition of other intangible fixed assets	-70	—
Proceeds from sale of other intangible fixed assets	8	—
Payment for acquisition of intangible fixed assets	—	-424
Proceeds from sale of intangible fixed assets	—	5
Payment for acquisition of long-term prepaid expense	-18	—
Proceeds from sale of long-term prepaid expense	30	—
Payment for acquisition of investment securities	-2,295	-814
Proceeds from sale of investment securities	470	966
Payment for acquisition of stocks in subsidiaries accompanied by changes in consolidation	*2 -1,524	—
Proceeds from acquisition of stocks in subsidiaries accompanied by changes in consolidation	93	—
Payment for acquisition of stocks in subsidiaries	-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	3	—
Purchase of stocks of subsidiaries and affiliates	—	-3,991
Payment for acquisition of other investments	-133	—
Proceeds from sale of other investments	155	—
Proceeds from transfer of goodwill	11	—
Payment for extension of loans	-405	-3,981
Proceeds from collection of loans	289	521
Others	—	-587
Net cash provided by (used in) investing activities	-10,697	-8,385

(Unit: million yen)

	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	317	-1,423
Proceeds from long-term debt	100	4,100
Payment for repayment of long-term debt	-920	-611
Payments for retirement by purchase of bonds		
Redemption of bonds		
Payment for acquisition of own stock	-1,901	-1,947
Payment for satisfaction of finance lease liabilities	-675	-647
Payment of cash dividends	-789	-1,041
Payment of cash dividends to minority shareholders	-12	-6
Net cash provided by financing activities	-3,883	-4,979
Increase (decrease) in cash and cash equivalents	-27,577	-3,401
Cash and cash equivalents at beginning of year	43,429	15,851
Increase in cash and cash equivalents due to business mergers	—	30
Increase in cash and cash equivalents due to stock swap	—	610
Cash and cash equivalents at the end of this term	*1 15,851	*1 13,091

(5) [Events or situations that may cause material doubt about the assumptions of going concerns]
This disclosure is not applicable

(6) Basis of Presenting Consolidated Financial Statements

Account	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
1. Scope of Consolidation	(1) Number of Consolidated Subsidiaries: 14 The identities of primary consolidated subsidiaries are provided in “State of Associated Companies.” Tsuruhara Yoshii and Yakushin merged on April 1, 2007 and were renamed Kyushu Toho. 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.	(1) Number of Consolidated Subsidiaries: 16 The identities of primary consolidated subsidiaries are provided in “State of Associated Companies.” Sue Yakuhin Co., Ltd. and Zenkaido Pharmacy Co., Ltd. became the Company’s consolidated subsidiaries through a stock exchange from the current fiscal year.
	(2) Name of main non-consolidated subsidiary Name of main non-consolidated subsidiary Medical Trust (Reason excluded from range of connection) All non-consolidated subsidiaries are small in size and do not significantly affect the Company’s consolidated total assets, net sales, consolidated net income, or retained earnings. Moreover, if taken as a whole, they are insignificant and therefore are not consolidated.	(2) Name of main non-consolidated subsidiary Name of main non-consolidated subsidiary Medical Trust (Reason excluded from range of connection) Same as in left column
2. Application of Equity Method	(1) Number of Affiliates Accounted for by Equity Method: 1 Names of Primary Affiliates: Sakai Yakuhin	(1) Number of Affiliates Accounted for by Equity Method: 1 Names of Primary Affiliates: Sakai Yakuhin
	(2) State of Non-consolidated Subsidiaries and Affiliates Not Accounted for by Equity Method Names of primary non-consolidated subsidiaries: Medical Trust Names of Primary Affiliates: Fuji Bio Medix 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.	(2) State of Non-consolidated Subsidiaries and Affiliates Not Accounted for by Equity Method Names of primary non-consolidated subsidiaries: Medical Trust Names of Primary Affiliates: Wakaba Same as in left column

Account	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
3. Fiscal Years Adopted by Consolidated Subsidiaries	The final day of the fiscal year of each consolidated subsidiary corresponds to the date of the Company's consolidated financial statements.	Same as in left column.
4. Accounting Principles		
(1) Basis and Method of Valuation of Significant Assets	① Securities Held-to-maturity debt securities Stated at cost amortized on a straight-line basis. Other securities With available fair market value: …… Stated at fair market value based principally on the market price as of the end of the fiscal year. (All unrealized gains and losses are included as separate components of net assets, with the cost of securities sold determined using the moving-average method.) With no available fair market value: ……Stated at moving-average cost. ② Inventories The Company submitting consolidated financial statements and eight consolidated subsidiaries (Tsuruhara Yoshii, Yakushin, SANUS, Godo Toho, Honma Toho, Koyo, Yamaguchi Toho, and Ogawa Toho) value inventories at moving-average cost. Other consolidated subsidiaries value inventories at cost using the last purchase price method.	① Securities Held-to-maturity debt securities Same as in left column. Other securities With available fair market value: Same as in left column. With no available fair market value: ……Same as in left column. ② Inventories The Company submitting consolidated financial statements and nine consolidated subsidiaries (Kyushu Toho, Mori Pharmaceutical, Honma Toho, SANUS, Koyo, Godo Toho, Sue Yakuhin, Yamaguchi Toho, and Ogawa Toho) value inventories at moving-average cost (the book value devaluation method based on lowered profitability for balance sheets amounts). Other consolidated subsidiaries value inventories at cost using the last purchase price method. (the book value devaluation method based on lowered profitability for balance sheets amounts). As a result, the consolidated gross profit, operating income and ordinary income decreased by 77 million yen compared with those based on the existing method. The loss before income taxes increased 77 million yen. In addition, the impacts on business segment information are described in the relevant items.

Account	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
(2) Method of Depreciation of Significant Depreciable Assets	① Property, plants, and equipment Depreciated by the declining-balance method. Buildings (except structures attached to buildings) acquired on and after April 1, 1998 are depreciated by the straight-line method. The estimated useful lives of major asset categories are as follows: Buildings and structures: 10 - 50 years Vehicles and carriers: 5 - 6 years Equipment and fixtures: 5 - 15 years (Change in accounting policy) 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. The impact on income as a result of this change was insignificant. The impacts on segmental information are described where they are relevant. (Additional Information) 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. The impact on income as a result of this change was insignificant.	① Property, plants, and equipment（Excluding lease assets） Depreciated by the declining-balance method. Buildings (except structures attached to buildings) acquired on and after April 1, 1998 are depreciated by the straight-line method. The estimated useful lives of major asset categories are as follows: Buildings and structures: 10 - 50 years Vehicles and carriers: 5 - 6 years Equipment and fixtures: 5 - 15 years

Account	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
	② Intangible fixed assets Amortized by the straight-line method. Software for internal use is amortized by the straight-line method over the estimated useful life for in-house use (five years). ——————	② Intangible fixed assets（Excluding lease assets） Amortized by the straight-line method. Software for internal use is amortized by the straight-line method over the estimated useful life for in-house use (five years). ③ Lease assets Lease assets concerning finance lease transactions that do not transfer the ownership of the lease assets: Lease assets of finance lease transactions that do not transfer the ownership of the leases assets are accounted using the straight-line method with their residual values being zero over their leased periods deemed to be their years of useful life. In addition, of finance lease transactions that do not transfer the ownership of the lease assets, those whose date of commencement of leasing is prior to March 31, 2008, are accounted based on the accounting method applicable to ordinary operating leases. (Change of accounting policy) The Company has applied the Accounting Standard for Lease Transactions (Statement No.13, published on June 17, 1993, revised on March 30, 2007) and the Guidance on Accounting Standard for Lease Transactions (Guidance No.16, published on January 18, 1994, revised on March 30, 2007) from the current consolidated fiscal year. As a result, lease assets of 309 million yen were newly posted in fixed assets, and other current assets and investment and other assets increased by 65 million yen and 221 million yen, respectively, compared with those calculated based on the existing method. Impacts from the change in accounting policy above on profits and losses were none. In addition, impacts on business segment information are described in the relevant items.

Account	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
(3) Principles of Accounting for Significant Allowances and Reserves	① Allowance for doubtful receivables The allowance for doubtful receivables is provided to cover possible losses in the collection of trade receivables, loans receivable, and others. The actual rate of historical bad debts is used for normal receivables. For certain receivables, including those subject to possible loss, the recoverability of individual accounts is investigated and the uncollectible amount estimated. ② Provision for bonuses The estimated amount payable is recorded to fund bonus payments to eligible employees and directors, who are also employees of the Group. ③ Director bonus reserve In order to fund directors' bonuses from the estimated amount payable for this fiscal year, the obligation for this fiscal year is recorded. ④ Reserve for Sales Returns The estimated amount of losses on future sales returns is provided to cover possible losses on sales returns. ⑤ Accrued Retirement Benefits for Employees The Company submitting consolidated financial statements and two consolidated subsidiaries (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.	① Allowance for doubtful receivables Same as in left column. ② Provision for bonuses Same as in left column ③ Director bonus reserve Same as in left column ④ Reserve for Sales Returns Same as in left column ⑤ Accrued Retirement Benefits for Employees The Company submitting consolidated financial statements and two consolidated subsidiaries (Godo Toho and Toho System Service) shifted entirely to a defined contributory pension program。 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 2009 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 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
	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. (Additional information) 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). Income before income taxes increased 259 million yen in association with the shifts.	Seven consolidated subsidiaries (Mori Pharmaceutical, Koyo, Sue Pharmaceutical, Ethos, Zenkaido Yakkyoku, Tokyo Research Center of Clinical Pharmacology, and Tokyo Clinical CRO) recognized the amount of accrual estimated at the end of the fiscal year under review to prepare for the payment of retirement benefits to employees. The accrual was based on the estimated amounts of retirement benefit liabilities and pension plan assets at the end of the fiscal year under review. Actuarial differences are prorated on a straight-line basis over a certain number of years (7 years or 10 years) within the average remaining service period of eligible employees when accrued during each fiscal year, and recognized as an expense over the fiscal years following that accrual. (Additional information) One consolidated subsidiary (Kyushu Toho Co., Ltd.) shifted all tax-qualified retirement annuity plans to a defined contribution pension program on April 21, 2008. This consolidated subsidiary has applied the Accounting Procedures for Shifting between Different Retirement Benefit Programs (Corporate Accounting Standards Implementation Guidelines No.1). The loss before income taxes decreased by 220 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.	――――――――
(5) Other Important Information for Preparation of Consolidated Financial Statements	Method of Accounting for Consumption Taxes and Others Transactions subject to consumption tax are accounted for exclusive of consumption tax.	Method of Accounting for Consumption Taxes and Others Same as in left column
5. Valuation of Assets and Liabilities of Consolidated Subsidiaries	All assets and liabilities of consolidated subsidiaries are stated at fair market values.	Same as in left column
6. Amortization of 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

(7)【Changes in Basis of Presenting Consolidated Financial Statements】

(Change in Presentation Method)

Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
――――――	(Consolidated balance sheets) With the application of the Cabinet Office Regulations concerning Revision of a Part of the Regulations for Financial Statements (Cabinet Office Regulations No.50, dated August 7, 2008), the account title of "inventories" in the preceding year was changed to "Products" from the current consolidated fiscal year.
――――――	(Consolidated Statements of Cash Flows) When financial statements were prepared using the Extensible Business Reporting Language (XBRL), account titles were changed as a result of assessment of their importance and validity. ・Net cash provided by operating activities The titles "Gain on the sale of tangible fixed assets" and "Loss on the disposal of tangible fixed assets" used in the preceding year were changed to "Loss/(gain) on the disposal/sale of tangible fixed assets" (data in parentheses shows a gain) from the current consolidated fiscal year. In addition, the gain on the sale of tangible fixed assets for the current fiscal year was (0) million yen, and the loss on the disposal of tangible fixed assets was 58 million yen. The titles "Gain on the sale of investment securities" and "Loss on the revaluation of investment securities (data in parentheses shows a gain)" presented in the previous year were changed to "Gain on the sale/revaluation of investment securities (data in parentheses shows a gain)" from the current fiscal year. Gain on the sale of investment securities for the current fiscal year was (275) million yen, and the loss on the revaluation of investment securities (data in parentheses shows a gain) was 536 million yen. The title "Decrease (increase) in the purchase rebates receivable" (data in parentheses shows an increase) described in the previous year was included in the title "Others (data in parentheses shows an increase)" from the current fiscal year. The decrease (increase) in purchase rebates receivable for the current fiscal year was 302 million yen. The titles Equity in the earnings of investees (data in parentheses shows a gain), Research fee income, Real estate rental income, Miscellaneous income, Specified line commitment fee, Loss before deduction of temporary consumption tax payment, Miscellaneous loss, Other extraordinary gains, Other extraordinary losses, and Other non-monetary losses (gains) were included in Others from the current fiscal year. Equity in the earnings of investees (data in parentheses shows a gain) for the current fiscal year was (71) million yen. Research fee income was (1,940) million yen, real estate rental income was (168) million yen, miscellaneous income was (676) million yen, the specified line commitment fee was 36 million yen, the loss before the deduction of the temporary consumption tax payment was 837 million yen, the miscellaneous loss was 72 million yen, other extraordinary gains were (7) million yen, other extraordinary losses were 88 million yen, and other non-monetary losses (gains) were 45 million yen. ・Net cash provided by operating activities (Under subtotal) The titles Research fees received, Real estate rental income, Miscellaneous income, Payment of the specified line commitment agreement fee, Miscellaneous payments, Other extraordinary Payments, Payment of directors' retirement benefits and payments due to the switchover to a defined contribution adopted in the preceding year were included in Other from the current fiscal year. Research fees received for the current fiscal year were 1,941 million yen, real estate rental income was 172 million yen, miscellaneous income was 578 million yen, payment of the specified line commitment agreement fee was (40) million yen, miscellaneous payment was (61) million yen, other extraordinary payment was (2) million yen, payment of the directors' retirement benefits was (74) million yen and payment due to the switchover to a defined contribution was (523) million yen.

Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
―――――	・Net cash provided by investment activities The titles Payment for the acquisition of goodwill, Payments for the acquisition of software and Payments for the acquisition of other intangible fixed assets used in the last year were included in Payment for the acquisition of intangible fixed assets from the current fiscal year. Payment for the acquisition of goodwill for the current fiscal year was (10) million yen, payment for the acquisition of software was (414) million yen and payment for the acquisition of other intangible fixed assets was (0) million yen. The titles Payment for the acquisition of stocks in subsidiaries and Payment for the acquisition of stocks in affiliates adopted in the previous year were included in Payment for the acquisition of stocks in affiliates from the current fiscal year. Payment for the acquisition of stocks in subsidiaries for the current fiscal year was (3,387) million yen and payment for the acquisition of stocks in affiliates was (604) million yen. The titles Payment for the acquisition of long-term prepaid expenses, Proceeds from the sale of long-term prepaid expenses, Payment for the acquisition of other intangible fixed assets and Proceeds from the sale of other intangible fixed assets used in the preceding fiscal year were included in Others from the current fiscal year. Payment for the acquisition of long-term prepaid expense for the current fiscal year was (35) million yen, proceeds from the sale of long-term prepaid expenses were 0 million yen, payment for the acquisition of other intangible fixed assets was (712) million yen and proceeds from the sale of other intangible fixed assets were 160 million yen.

(Additional information)

Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
―――――	The Company has applied the ASBJ Statement No. 11 Accounting Standard for Related Party Disclosures and the ASBJ Guidance No. 13 Implementation Guidance on Accounting Standards for Related Party Disclosures (published on October 17, 2006) from the current consolidated fiscal year. As a result, in addition to the existing scope of disclosure, “Transactions with a related party by Consolidated Subsidiaries of the company submitting consolidated financial statements” were also disclosed.

(8)【Notes to Consolidated Financial Statements】
(Consolidated balance sheet relation)

Fiscal 2008
(As of March 31, 2008)

* 1 Accumulated depreciation of property, plant and equipment: 22,065 million yen

*2 Investments in non-consolidated subsidiaries and affiliates:

Investment in securities 7,249 million yen

*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

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 2009
(As of March 31, 2009)

*1 Accumulated depreciation of property, plant and equipment: 23,244 million yen

*2 Investments in non-consolidated subsidiaries and affiliates:

Investment in securities 5,616million yen

*3 Assets pledged as collateral:

Classified assets pledged (million yen)		Liabilities secured by collateral (million yen)	
Time deposits	371	Notes and accounts payable	20,314
Buildings	2,133		
Land	5,057		
Investment securities	1,790		
Buildings	20	Short-term loans payable and long-term debt (including current portion of long-term debt due within one year)	1,298
Land	1,195		
Investment securities	2,191		
Total	12,760	Total	21,612

4 Liabilities guaranteed

① Bank loans guaranteed

Asucome	1,620 million yen
Alf & 3 other cases	795 million yen
Total	2,415 million yen

② Accounts payable guaranteed

Kensho	747 million yen
Kyoei yakuhin	52 million yen
Total	800 million yen

③ Leases guaranteed

Shinanokai	10 million yen

Fiscal 2008 (As of March 31, 2008)	Fiscal 2009 (As of March 31, 2009)
*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.” Method of revaluation: Based on the land tax assessment register specified in Article 2-3 of the Ordinance for Enforcement of Law concerning Land Revaluation (Government Ordinance No. 119, promulgated on March 31, 1998). Date of revaluation: March 31, 2002 Difference in value of land revalued between market and revalued book value at fiscal year-end: 2,056 million yen	*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.” Method of revaluation: Based on the land tax assessment register specified in Article 2-3 of the Ordinance for Enforcement of Law concerning Land Revaluation (Government Ordinance No. 119, promulgated on March 31, 1998). Date of revaluation: March 31, 2002 Difference in value of land revalued between market and revalued book value at fiscal year-end: 726 million yen
6 The Company has been lending commitment agreements with 11 trading banks to facilitate efficient procurement of working funds. Lending commitments 12,000 million yen Balance borrowed — million yen Total remainder 12,000 million yen	6 The Company has been lending commitment agreements with 11 trading banks to facilitate efficient procurement of working funds. Lending commitments 12,000 million yen Balance borrowed — million yen Total remainder 12,000 million yen In addition, the Company has concluded a lending commitment agreement with its banks to prepare for demand for the funds necessary for capital investment in the future. Lending commitments 5,000 million yen Balance borrowed — million yen Total remainder 5,000 million yen

(Notes to Consolidated Statements of Income)

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

*1 Gains on sales of fixed assets comprising:

Gain on sale of land	255 million yen

*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

*3 Impairment losses

The 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	
Former Kitakyushu Branch	Real estate unused	

The 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.

Fiscal 2009 (From April 1, 2008 to March 31, 2009)

*1 Gains on sales of fixed assets comprising:

Gain on sale of buildings	0 million yen
Gain on sale of vehicles and carriers	0 million yen
Total	0 million yen

*2 Losses on disposal of fixed assets comprise:

Loss on retirement of buildings Loss on retirement of buildings	40 million yen
Loss on retirement of vehicles and carriers	12 million yen
Loss on sale of buildings	0 million yen
Loss on sale of land	4 million yen
Loss on sale of intangible fixed assets	0 million yen
Total	58 million yen

*3 Impairment losses

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

Location	Purpose	Class
Kohchi Branch and 5 other sites	Real estate for business use	Land and buildings
Moji Ward, Kitakyushu City and 9 sites	Real estate unused	

The 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 due to consecutive losses in value, and recognized an impairment loss of 100 million yen. It comprised 58 million yen on land and 41 million yen on buildings. The recoverable amount was measured on the basis of the scheduled net sale price. The recoverable amounts were basically based on assessments supplied by real estate appraisers, but some assets whose assessments proved insignificant were assessed in reference to the tax assessments of fixed assets.

An impairment loss of 195 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 169 million yen on land and 25 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.

(Consolidated Statement of Changes in Shareholders' Equity)
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

Fiscal 2009 (From April 1, 2008 to March 31, 2009)

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 2008 (in thousand stocks)	No. of stocks increased during fiscal 2009 (in thousand stocks)	No. of stocks decreased during fiscal 2009 (in thousand stocks)	No. of stocks as of the end of this term (in thousand stocks)
Outstanding stocks				
Common stocks (No.1)	59,219	1,547	―	60,766
Total	59,219	1,547	―	60,766
Treasury stock				
Common stocks (No.2)	2,089	2,009	2,042	2,056
Total	2,089	2,009	2,042	2,056

(Note) 1. The increase in outstanding common shares by 1,547,000 shares reflects an increase of 55,000 shares due to conversion to common shares based on the exercise of the right to convertible bonds, 40,000 shares newly issued for the stock exchange with Ogawa Toho Co., Ltd., 323,000 shares newly issued for the stock exchange with Yamaguchi Toho Co., Ltd., 318,000 shares newly issued for the stock exchange with Sue Yakuhin Co., Ltd. and 810,000 shares newly issued for the stock swap with Ethos Inc.

2. The increase in treasury stocks of common stocks by 2,009,000 stocks consists of an increase of 16,000 stocks due to the acquisition of the stocks of a consolidated subsidiary accompanying a stock swap, an increase of 4,000 stocks acquired based on a stock exchange with Ethos Inc., and an increase of 1,986,000 stocks reacquired pursuant to board meeting resolutions, and an increase of 3,000 stocks due to the reacquisition of odd stocks.

3. The decrease of 2,042,000 common shares in treasury stocks consists of a decrease of 1,001,000 shares delivered based on the stock exchange with Zenkaido Pharmacy Co., Ltd., a decrease of 190,000 shares delivered in association with the stock swap with Prescription Center Co., Ltd., and a decrease of 850,000 shares delivered in association with the stock exchange with Ogawa Toho Co., Ltd.

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 2008	fiscal 2009 (Increase)	fiscal 2009 (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	―	1,945	3,343	―
	Subscription rights to shares as stock options (note 2)	―	―	150	―	150	62
Consolidated subsidiaries	―	―	―	―	―	―	―
Total			5,289	150	1,945	3,493	62

(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. Of the decreases during the current term, a decrease of 1,890,000 shares was due to the redemption of convertible bonds through purchase and 55,000 shares were owing to the exercising of rights. The subscription rights were issued without charge.

2. An increase in the number of shares to be issued for equity warrants is due to commencement of the exercise period of subscription rights.

3. Dividends

(1) Dividend Payment

Resolution	Type of shares	Total dividend amount (million yen)	Dividend per share (yen)	Record date	Effective date
May 9, 2008 Board of directors	Common stock	457	8	March 31, 2008	Jun 9, 2008
November 6, 2008 Board of directors	Common stock	583	10	September 30, 2008	December 8, 2008

(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 8, 2009 Board of directors	Common stock	587	Retained earnings	10	March 31, 2009	June8, 2009

(Notes to Interim Consolidated Statements of Cash Flows)

Fiscal 2008 (From April 1, 2007 to March 31, 2008)		Fiscal 2009 (From April 1, 2008 to March 31, 2009)	
(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, 2008)		(As of March 31, 2009)
	(million yen)		(million yen)
Cash on hand and on deposit	16,742	Cash on hand and on deposit	13,772
Time deposits maturing beyond three months of deposit	-1,389	Time deposits maturing beyond three months of deposit	1,182
Short-term investments (investment securities) becoming due within three months of acquisition	498	Short-term investments (investment securities) becoming due within three months of acquisition	500
Cash and cash equivalents	15,851	Cash and cash equivalents	13,091
(2) Major components of assets and liabilities of companies made into newly consolidated subsidiaries as a result of the acquisition of stock Components of assets and liabilities at consolidation of newly acquired stock, and cost and net balance of acquisition:			
	(million yen)		
・Chuoh Medical			
Current assets	1,257		
Fixed assets	676		
Goodwill	1,813		
Current liabilities	-704		
Fixed liabilities	-923		
Minority equity	-120		
Acquisition price of stock in Chuoh Medical	2,000		
Chuoh Medical’s cash and cash equivalents	-475		
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		

Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
―――――――	3 Details of important non-monetary transactions ①Exercise of subscription rights to shares (million yen) Increase in capital due to the exercising of subscription rights 50 Increase in capital surplus reserves due to the exercising of subscription rights 49 Decrease in convertible bonds due to the exercising of subscription rights 100 ②Breakdown of assets and liabilities succeeded through mergers Assets and liabilities succeeded from Wilfa Co., Ltd. which merged with the Company's consolidated subsidiary Ethos Inc. during the current term are as follows: (million yen) Current assets 89 Noncurrent assets 61 Total assets 151 Current liabilities 99 Noncurrent liabilities 116 Total liabilities 215 ③Breakdown of assets and liabilities acquired through stock exchanges ・Zenkaido Yakkyoku The breakdown of assets and liabilities acquired through stock exchanges during the current fiscal year is as follows: In addition, the capital surplus reserve (other capital surplus) that increased due to stock exchanges is 778 million yen. (million yen) Current assets 1,096 Noncurrent assets 691 Total assets 1,787 Current liabilities 1,023 Noncurrent liabilities 156 Total liabilities 1,179 ・Chozai Center The breakdown of assets and liabilities acquired through stock exchanges during the current fiscal year is as follows: In addition, the capital surplus reserve (other capital surplus) that increased due to stock exchanges is 148 million yen. (million yen) Current assets 1,096 Noncurrent assets 691 Total assets 1,787 Current liabilities 1,023 Noncurrent liabilities 156 Total liabilities 1,179 ・Sue Yakuhin The breakdown of assets and liabilities acquired through stock exchanges during the current fiscal year is as follows: In addition, the capital surplus reserve (other capital surplus) that increased due to stock exchanges is 536 million yen. (million yen) Current assets 3,033 Noncurrent assets 278 Total assets 3,311 Current liabilities 1,908 Noncurrent liabilities 416 Total liabilities 2,325 ④The amounts of assets and liabilities related to finance leases newly accounted for in the current term were 362 million yen.

(Segmental Information)

1. Segmental Information according to Types of Business

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

	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (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	789,146	15,574	699	805,419	—	805,419
(2) Inter-segment internal net sales or transfers	5,672	—	—	5,592	(5,592)	—
Total	794,738	15,574	699	811,011	(5,592)	805,419
Operating expense	784,534	14,598	819	799,952	(4,803)	795,149
Operating income	10,203	976	-120	11,058	(788)	10,269
II. Assets, depreciation and amortization, impairment loss, and capital expenditure						
Assets	358,349	9,735	2,047	370,133	17,140	387,273
Depreciation and amortization	1,934	88	54	2,077	—	2,077
Impairment loss	339	—	—	339	—	339
Capital expenditure	1,987	285	41	2,314	—	2,314

Fiscal 2009 (from April 1, 2008 to March 31, 2009)

	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (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	815,801	22,575	526	838,903	—	838,903
(2) Inter-segment internal net sales or transfers	10,938	—	—	10,938	(10,938)	—
Total	826,739	22,575	526	849,841	(10,938)	838,903
Operating expense	823,880	21,256	805	845,942	(10,061)	835,881
Operating income	2,858	1,318	-278	3,899	(877)	3,021
II. Assets, depreciation and amortization, impairment loss, and capital expenditure						
Assets	369,310	14,985	890	385,186	12,659	397,845
Depreciation and amortization	1,980	134	56	2,171	—	2,171
Impairment loss	295	—	—	295	—	295
Capital expenditure	1,267	278	33	1,579	—	1,579

(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) CRO and SMO........................ SMO and CRO services

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

	Fiscal 2008 (million yen)	Fiscal 2009 (million yen)	Major operations
Operating expenses non-allocatable, included in eliminations or corporate	870	956	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	19,513	16,480	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 2009 (From Apr 1, 2008 to Mar 31, 2009)
As described in the Basis for Presenting the Consolidated Financial Statement, 4. Accounting Principles, (1) Basis and Method of the Valuation of Significant Assets, 2) Inventories, the Company has applied the ASBJ Statement No. 9 Accounting Standard for the Measurement of Inventories (published on July 5, 2006) from the current consolidated fiscal year.
With this change, the operating income for the pharmaceutical wholesaling business decreased by 77 million yen compared with that based on the existing method.

As described in the Basis for Presenting the Consolidated Financial Statement, 4. Accounting Principles, (2) Method of Depreciation of Significant Assets, 3) Lease assets, the Company has applied the Accounting Standard for Lease Transactions (Statement No.13, published on June 17, 1993, revised on March 30, 2007) and the Guidance on the Accounting Standard for Lease Transactions (Guidance No.16, published on January 18, 1994, revised on March 30, 2007) from the current consolidated fiscal year.
With this change, the assets of the Pharmaceutical Wholesaling business, the dispensing pharmacy business and CRO and SMO business increased by 290 million yen, 17 million yen and 2 million yen, respectively.
The impact on income as a result of this change was insignificant.

2. Segmental Information according to Geographical Locations

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.

Fiscal 2009 (from April 1, 2008 to March 31, 2009)
This disclosure is not applicable, because all the Group's consolidated subsidiaries are located in Japan.

3. Overseas Sales

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

Fiscal 2009 (from April 1, 2008 to March 31, 2009)
This disclosure is not applicable, because the Group generates no sales outside Japan.

(Notes to Leases Transactions)

<table>
<tr><th>Fiscal 2008
(From April 1, 2007 to March 31, 2008)</th><th>Fiscal 2009
(From April 1, 2008 to March 31, 2009)</th></tr>
<tr><td>
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:
<table>
<tr><th></th><th>Presumed acquisition cost (million yen)</th><th>Presumed accumulated depreciation (million yen)</th><th>Presumed balance at the end of the year (million yen)</th></tr>
<tr><td>Vehicles and carriers</td><td>38</td><td>13</td><td>24</td></tr>
<tr><td>Equipment and fixtures</td><td>7,225</td><td>3,585</td><td>3,640</td></tr>
<tr><td>Intangible fixed assets (software)</td><td>62</td><td>20</td><td>42</td></tr>
<tr><td>Total</td><td>7,326</td><td>3,619</td><td>3,707</td></tr>
</table>
(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
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.
</td><td>
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:
<table>
<tr><th></th><th>Presumed acquisition cost (million yen)</th><th>Presumed accumulated depreciation (million yen)</th><th>Presumed balance at year-end (million yen)</th></tr>
<tr><td>Vehicles and carriers</td><td>54</td><td>35</td><td>18</td></tr>
<tr><td>Equipment and fixtures</td><td>6,608</td><td>3,894</td><td>2,714</td></tr>
<tr><td>Intangible fixed assets (software)</td><td>62</td><td>31</td><td>30</td></tr>
<tr><td>Total</td><td>6,725</td><td>3,961</td><td>2,763</td></tr>
</table>
(2) Presumed year-end balance of unaccrued lease payments and others:
Presumed year-end balance of unaccrued lease payments
Within one year 922 million yen
One year or more 1,917 million yen
Total 2,839 million yen
(3) Lease payments, transfer of impairment losses on lease assets, presumed depreciation, presumed interest expense, and impairment loss:
Lease payment 1,226 million yen
Presumed depreciation 1,157 million yen
Presumed interest expense 77 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.
</td></tr>
</table>

(Related Party Information)

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 (million yen)	Account	Balance at year-end (million yen)
						Directors shared	Business relationship				
Director	Muchio Nakasato	—	—	The Company'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 the Company with pharmace uticals	Sales Transaction (Note 2)	6,322	Trade receivables Accrued amount payable	1,607 100

(Note) 1. Transactions were conducted in the capacity of a representative of the Company, 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 (million yen)	Account	Balance at year-end (million yen)
						Directors shared	Business relationship				
Affiliate	Sakai Yakuhin	Mitaka City, Tokyo	60	Pharmaceutical wholesaling	Direct 35.0	Four directors shared	Supplied by the Company 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.

Fiscal 2009 (From April 1, 2008 to March 31, 2009)

Transactions with Relate Parties

(1) Transactions between the company that submitted consolidated financial statements (“Company”) and related parties

(a) Company’s Subsidiaries and Affiliates

Attribute	Name of company or other	Address	Capital or stock or cash investment	Description of business or occupation	Voting ownership (Under control) (%)	Relationship with the related party	Transactions	Amount of transac-tions (million yen)	Account	Balance at year-end (million yen)
Affiliate	Sakai Yakuhin	Mitaka City, Tokyo	60	Pharmaceutical wholesaling	Direct 35.0	Supplied by the Company with pharmaceuticals Director shared	Sales transactions (Note)	16,351	Trade recei vable	6,088

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

(b) Company’s directors and principal shareholders limited to individuals

Attribute	Name of company or other	Address	Capital or stock or cash investment	Description of business or occupation	Voting ownership (Under control) (%)	Relationship with the related party	Transactions	Amount of transac-tions (million yen)	Account	Balance at year-end (million yen)
Director	Muchio Nakasato (Note 3)	—	—	The Company’s director Representa-tive director of Shouei	(Under control) Direct ownership 0.0	—	Sales of pharma-ceuticals to Shouei (Note 1)	41,349	Trade recei v-ables	14,592
Directors and close relatives’ ownership of voting rights exceeds 50% based on their own estimate	Kanto Iryo Service Co., Ltd. (Note 3)	Tsuchiura City, Ibaraki	10	Dispensing pharmacy	—	Supplied by the company with pharmaceuticals	Sales Transaction (Note 2)	74	Trade receiv-ables	16

(Note) 1. Transactions were conducted in the capacity of a representative of the Company, 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.

3. With the Company’s shift to a holding company structure, the director concerned above left office with the Company at the end of March 2009. Accordingly, the amount of transactions during the term and balance as of the end of the term were described, and the controlling shares of voting rights as of the end of the term were also described.

Attribute	Name of company or other	Address	Capital or stock or cash investment	Description of business or occupation	Voting ownership (Under control) (%)	Relationship with the related party	Transactions	Amount of transactions (million yen)	Account	Balance at year-end (million yen)
Directors and close relatives’ ownership of voting rights exceeds 50% based on their own estimate	Kanto Iryo Service Co., Ltd. (Note 2)	Tsuchiura City, Ibaraki	10	Dispensing pharmacy	—	A consolidated subsidiary sold pharmaceuticals.	Sales Transaction (Note 1)	750	Trade receiv-ables	214
and close relatives’ ownership of voting rights exceeds 50% based on their own estimate	Round Limited Company (Note 2)	Takasaki City, Gunma	3	Dispensing pharmacy	—	A consolidated subsidiary sold pharmaceuticals.	Sales Transaction (Note 1)	233	Trade receiv-ables	46

(Note) 1. Pharmaceuticals were sold subject to the same terms and conditions that applied to parties unrelated to the Company.

2. With the Company’s shift to a holding company structure, the director concerned above left office with the Company at the end of March 2009. Accordingly, the amount of transactions during the term and balance as of the end of the term were described, and the controlling shares of voting rights as of the end of the term were also described.

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

(Notes to Tax Effect Accounting)

Fiscal 2008 (March 31, 2008)		Fiscal 2009 (March 31, 2009)	
(1) Major components of deferred tax assets and deferred tax liabilities accrued		(1) Major components of deferred tax assets and deferred tax liabilities accrued	
	(million yen)		(million yen)
Deferred tax assets (current assets)		Deferred tax assets (current assets)	
Accrued expenses	138	Accrued expenses	135
Enterprise tax payable	255	Enterprise tax payable	75
Accrued bonuses	1,017	Accrued bonuses	1,037
Other	234	Accrued retirement benefits for employees	37
Total	1,645	Net loss carried forward	373
Valuation reserve	-30	Other	404
Subtotal	1,614	Total	2,062
		Valuation reserve	-60
		Subtotal	2,002
Deferred tax assets (fixed assets)		Deferred tax assets (fixed assets)	
Allowance for doubtful receivables	260	Allowance for doubtful receivables	1,056
Investment securities	269	Investment securities	399
Accrued retirement benefits for employees	1,354	Accrued retirement benefits for employees	835
Other long-term liabilities	624	Other long-term liabilities	611
Loss carried forward for tax purposes	551	Impairment loss	687
Revaluation reserve for land to be sold	144	Loss carried forward for tax purposes	1,560
Impairment loss	613	Other	310
Other	226	Total	5,461
Total	4,044	Valuation reserve	-4,063
Valuation reserve	-1,773	Subtotal	1,397
Subtotal	2,270	Total deferred tax assets	3,400
Total deferred tax assets	3,885		
Deferred tax liabilities (long-term liabilities)		Deferred tax liabilities (long-term liabilities)	
Deferred capital gains on land	-918	Deferred capital gains on land	-797
Land and other revaluation difference due to capital consolidation of subsidiaries	-5,970	Land and other revaluation difference due to capital consolidation of subsidiaries	-5,944
Revaluation difference on available-for-sale securities	-2,552	Revaluation difference on available-for-sale securities	-1,578
Other	-642	Other	-191
Total deferred tax liabilities	-10,083	Total deferred tax liabilities	-8,511
Net deferred tax liabilities	-6,198	Net deferred tax liabilities	-5,111
(2) Major components of difference between statutory effective tax rate and income tax, and other burden rate after application of tax effect accounting		(2) Major components of difference between statutory effective tax rate and income tax, and other burden rate after application of tax effect accounting	
	(%)	The description was omitted, since the Company posted a net loss before income taxes for the current fiscal year.	
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 2008 (March 31, 2008)			Fiscal 2009 (March 31, 2009)		
		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	1,272	-27	800	779	-20
	(3) Others	—	—	—	—	—	—
	Subtotal	1,300	1,272	-27	800	779	-20
Total		1,300	1,272	-27	800	779	-20

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

	Types	Fiscal 2008 (March 31, 2008)			Fiscal 2009 (March 31, 2009)		
		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	5,464	12,095	6,630	4,792	9,569	4,777
	(2) Bonds						
	Government and municipal bonds	—	—	—	—	—	—
	Corporate bonds	—	—	—	—	—	—
	Others	—	—	—	—	—	—
	(3) Others	0	1	0	—	—	—
	Subtotal	5,465	12,096	6,630	4,792	9,569	4,777
Consolidated balance sheet value not exceeding acquisition cost	(1) Stocks	2,266	1,906	-360	3,444	2,625	△818
	(2) Bonds						
	Government and municipal bonds	—	—	—	—	—	—
	Corporate bonds	—	—	—	—	—	—
	Others	—	—	—	—	—	—
	(3) Others	85	74	-10	43	24	-18
	Subtotal	2,351	1,981	-370	3,487	2,650	-837
Total		7,817	14,077	6,260	8,280	12,219	3,939

(Note) 1. Acquisition costs at the end of fiscal 2008 are adjusted for impairments of 14 million yen.

2. Acquisition costs at the end of fiscal 2009 are adjusted for impairments of 179 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 2009

	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
Amount sold (million yen)	464	585
Total gains on sales (million yen)	76	275
Total losses on sales (million yen)	—	10

4. Major securities instruments with no available fair market value

	Fiscal 2008 (March 31, 2008)	Fiscal 2009 (March 31, 2009)
	consolidated balance sheet value (million yen)	consolidated balance sheet value (million yen)
Available-for-sale securities		
Unlisted stocks	10,673	10,353
Unlisted bonds	400	687
Money trusts	—	—
Money management funds	498	500
Total	11,572	11,542

(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 356 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 2008(March 31, 2008)				Fiscal 2009(March 31, 2009)			
	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	—	1,400	—	300	—	900	—	300
Others	—	—	—	—	—	—	—	—
(2) Others	—	25	—	—	—	25	—	—
Total	—	1,426	—	300	—	926	—	300

(Notes to Derivatives Transactions)
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).

Fiscal 2009 (from April 1, 2008 to March 31, 2009)
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 2008 (March 31, 2008)

1 . Description of retirement benefit arrangements adopted

The Company submitting Consolidated Financial Statements and its consolidated subsidiaries provide defined benefit arrangements that comprise a joint establishment-type employees pension fund, tax qualified retirement annuity, and lump-sum severance allowance programs, as well as defined contribution arrangements that comprise a defined contribution pension program.

In addition, 3 consolidated subsidiaries shifted to the defined contribution pension program from the tax qualified retirement annuity and lump-sum severance allowance programs during the current fiscal year.

Matters relating to a multiple business owners system that treats necessary contributions as retirement benefit expenses (million yen)

(1)Funded status of the entire system (as of March 31, 2007)

Pension assets	942,701
Benefit obligations in pension finances	946,942
Difference	-4,240

(2) Ratio of premium contributions of the Group to all premium contributions in the entire system (Mainly the contribution for March 2008)

3.0%

(3) Supplementary information

The major factor for the Difference in item (1) above is the amount calculated by deducting a special surplus of 88,549 million yen from the outstanding past service liabilities of 93,758 million yen in the pension finance accounting. Amortization of past service liabilities for the current fiscal year was calculated using the straight line method for the total amount of principal and interest over 5 – 20 years. In addition, the ratio in item (2) above does not match the actual rate of the burden by the Group.

2. Retirement benefit liability

(As of March 31, 2008)

(million yen)

a. Retirement benefit liability	-4,531
b. Pension plan assets (including retirement benefit trust)	2,799
c. Unfunded retirement benefit liability (a + b)	-1,731
d. Unrecognized actuarial difference	-46
e. Unrecognized past service cost (reduced liability)	—
f. Consolidated Balance Sheet net total (c + d + e)	-1,778
g. Prepaid pension expenses	316
h. Accrued retirement benefits (f - g)	-2,095

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

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 2009 (March 31, 2009)

1 . Description of retirement benefit arrangements adopted

The Company submitting Consolidated Financial Statements and its consolidated subsidiaries provide defined benefit arrangements that comprise a joint establishment-type employees pension fund, tax qualified retirement annuity, and lump-sum severance allowance programs, as well as defined contribution arrangements that comprise a defined contribution pension program.

In addition, 1 consolidated subsidiary shifted to the defined contribution pension program from the tax qualified retirement annuity and lump-sum severance allowance programs during the current fiscal year.

・Matters relating to a multiple business owners system that treats necessary contributions as retirement benefit expenses (million yen)

(1)Funded status of the entire system (as of March 31, 2008)

Pension assets	814,365
Benefit obligations in pension finances	994,991
Difference	-180,626

(2) Ratio of premium contributions of the Group to all premium contributions in the entire system (Mainly the contribution for March 2009)

2.9%

(3) Supplementary information

The major factor for the Difference in item (1) above is the amount calculated by deducting the special surplus reserve of 68,802 million yen from the total amount of outstanding past service liabilities of 89,466 million yen in the pension finance accounting, a shortage for the current fiscal year of 113,700 million yen and the amount of adjustment for the revaluation of asset values of 49,905 million yen. Amortization of past service liabilities for the current fiscal year was calculated using the straight line method for the total amount of principal and interest over 5 – 20 years. In addition, the ratio in item (2) above does not match the actual rate of the burden by the Group.

2. Retirement benefit liability

(As of March 31, 2009)

(million yen)

a. Retirement benefit liability	-2,587
b. Pension plan assets (including retirement benefit trust)	447
c. Unfunded retirement benefit liability (a + b)	-2,140
d. Unrecognized actuarial difference	-31
e. Unrecognized past service cost (reduced liability)	—
f. Consolidated Balance Sheet net total (c + d + e)	-2,172
g. Prepaid pension expenses	—
h. Accrued retirement benefits (f - g)	-2,172

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

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	1,870
Decrease in unrecognized actuarial difference	13
Decrease in plan assets	-2,200
Decrease in prepaid pension expenses	-316
Decrease in accrued retirement benefits	—

In addition, the amount of assets transferred to the defined contribution program was 1,663 million yen and the transfer was completed in the current fiscal year.

Fiscal 2008 (March 31, 2008)	Fiscal 2009 (March 31, 2009)
3. Retirement benefit expenses (From April 1, 2007 to March 31, 2008) (Million yen) a. Service cost 1,209 b. Interest cost 102 c. Expected rate of return (subtractive) -103 d. Amortization of actuarial difference 43 e. Amortization of past service cost — f. Retirement benefit expenses (a + b + c + d + e) 1,252 g. Loss (profit) due to switchover to defined contributory pension program -259 h. Extraordinary premium retirement allowance — i. Contributions to defined contributory pension program 754 Total 1,747	3. Retirement benefit expenses (From April 1, 2008 to March 31, 2009) (Million yen) a. Service cost 1,081 b. Interest cost 42 c. Expected rate of return (subtractive) -8 d. Amortization of actuarial difference 20 e. Amortization of past service cost — f. Retirement benefit expenses (a + b + c + d + e) 1,136 g. Loss (profit) due to switchover to defined contributory pension program -220 h. Extraordinary premium retirement allowance — i. Contributions to defined contributory pension program 909 Total 1,825
(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 938 million yen) are included in "a. Service Cost." 2. The retirement benefit expenses reported by consolidated subsidiaries adopting the simplified method are included in "a. Service Cost."	(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 942 million yen) are included in "a. Service Cost." 2. The retirement benefit expenses reported by consolidated subsidiaries adopting the simplified method are included in "a. Service Cost."
4. Basic assumptions for computing retirement benefit liability a. Period allocation method for estimated retirement benefits: Periodic fixed amount b. Discount rate: 2.0% c. Expected return on investment: 2.0%, 4.0% d. Number of years for recognition of past service cost: — e. Number of years for recognition of actuarial difference: 7 years, 10 years (Actuarial differences are prorated on a straight-line basis over a certain number of years within the average remaining service period of eligible employees when accrued during each fiscal year, and recognized as an expense over the fiscal years following that accrual.) (Additional information) 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).	4. Basic assumptions for computing retirement benefit liability a. Period allocation method for estimated retirement benefits: Periodic fixed amount b. Discount rate: 2.0% c. Expected return on investment: 2.0% d. Number of years for recognition of past service cost: — e. Number of years for recognition of actuarial difference: 7 years (Actuarial differences are prorated on a straight-line basis over a certain number of years within the average remaining service period of eligible employees when accrued during each fiscal year, and recognized as an expense over the fiscal years following that accrual.)

(Notes to Stock Options)

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

Company Name	The Company
Date of resolution	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	The Company
Date of resolution	July 20, 2006
Before proper allotment	
At beginning of the term (shares)	150,000
Granted (shares)	—
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	The Company
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.

Fiscal 2009 (From April 1, 2008 to March 31, 2009)

1. Recorded cost and account item in this consolidated fiscal year

   Selling, general and administrative expenses "Directors' salaries and employees' salaries and allowances"

   8 million yen

2. Details, size and changes in stock options

(1) Details of stock options

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

② Information on unit price

Company Name	The Company
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 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	
Cash	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
Land	350 million yen
Other	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	-12.24 yen

(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	
Calculation agent fee	3 million yen
Acquisition costs	436 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 : Honma Toho 1.028

②Calculation 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.

③Number 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

①Value of goodwill   84 million yen

②Cause

Accrued after rational estimation of future excess profitability.

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 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	
Calculation agent fee	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 negative 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.

Fisc al 2009 (From April 1, 2008 to March 31, 2009)

・ Application of the purchase method

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
   Zenkaido Group Corporation 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
   May 1, 2008
   (4) Legal form of business combination
   Stock swapping
   (5) Corporate name after business combination
   Toho Pharmaceutical
   (6) Ratio of acquired voting rights
   100%
2. Period of business performance of acquired company included in the interim consolidated financial statements
   From July 1, 2008 to March 31, 2009
3. Acquisition costs for acquired company and their breakdown

Acquisition price	
Stocks of Toho Pharmaceutical	2,447 million yen
Payment directly required for the acquisition	
Calculation agent fee	4 million yen
Acquisition costs	2,452 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 : Zenkaido Group Corporation 1,113.32
   (2) Calculation 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 discounted cash flow (DCF) method was used for the valuation of Zenkaido Group Corporation, and the average market price method was used for the valuation of Toho Pharmaceutical.
   (3) Number of exchanged stocks and evaluation value
   1,001,988 stocks 2,447 million yen
5. Amount, cause, amortization method and amortization period of accrued goodwill or negative goodwill
   (1) Value of goodwill 1,844 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	160 million yen
Accounts receivable	623 million yen
Inventories	304 million yen
Buildings and structures	270 million yen
Others	429 million yen
Total	1,787 million yen

(2) Liabilities

Accounts payable	838 million yen
Debt	212 million yen
Others	129 million yen
Total	1,179 million yen

7. 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.
8. Of the acquisition cost, the amount that was appropriated for R&D expenses and its account
   Not applicable.
9. 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	3,046 million yen
Operating income	231 million yen
Ordinary income	37 million yen

Income before income taxes	43 million yen
Current net income	-83 million yen
Current net income per share	-1.41 yen

(Method and important assumptions used for calculating estimated amounts)
Sales and income of Zenkaido Group Corporation from April 1, 2008 to March 31, 2009, the elimination of internal transactions, the amortization of goodwill, and minority interest in net income were tallied.
The information in the note above is not covered by the auditor's report.

・ Application of the purchase method

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
   Sue Pharmaceutical   Pharmaceutical wholesaling
   (2) Main reason for business combination
   The Company intended to further enhance the relationship with Sue Yakuhin Co., Ltd. and to maximize the corporate value of the Group through increasing the mobility of distribution functions and rapid decision making, while carefully maintaining the functions of community-based business bases cultivated by Sue Yakuhin over a long period.
   (3) Date of business combination
   November 1, 2008
   (4) Legal form of business combination
   Stock swapping
   (5) Corporate name after business combination
   Toho Pharmaceutical
   (6) Ratio of acquired voting rights
   90.0%
2. Period of business performance of acquired company included in the interim consolidated financial statements
   From October 1, 2008 to March 31, 2009
3. Acquisition costs for acquired company and their breakdown

Acquisition price	
Stocks of Toho Pharmaceutical	536 million yen
Payment directly required for the acquisition	
Calculation agent fee	9 million yen
Acquisition costs	545million 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 : Sue Pharmaceutical 5.890
   (2) Calculation 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 market-price net assets method was used for the valuation of Sue Pharmaceutical, and the average market price method was used for the valuation of Toho Pharmaceutical.
   (3) Number of exchanged stocks and evaluation value
   318,060 stocks   536 million yen
5. Amount, cause, amortization method and amortization period of accrued goodwill or negative goodwill
   (1) Value of negative goodwill   437million yen
   (2) Cause
   There was a difference between the net value of assets and liabilities of the acquired company revaluated based on market prices as of the date of the business combination and the aggregate market price of the stocks of the acquired company.
   (3) Amortization method and amortization period
   The negative goodwill will be amortized over five 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	526 million yen
Accounts receivable	2,099 million yen
Inventories	289 million yen
Investments in securities	106 million yen
Others	289 million yen
Total	3,311 million yen

(2) Liabilities

Accounts payable	1,808 million yen
Bonds payable	110 million yen
Others	407 million yen
Total	2,325 million yen

7. 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.

8. Of the acquisition cost, the amount that was appropriated for R&D expenses and its account

Not applicable.

9. 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	-2,892 million yen
Operating income	114 million yen
Ordinary income	236 million yen
Income before income taxes	240 million yen
Current net income	171 million yen
Current net income per share	2.90 yen

(Method and important assumptions used for calculating estimated amounts)

Sales and income of Sue Pharmaceutical from April 1, 2008 to March 31, 2009, the elimination of internal transactions, the amortization of negative goodwill, and minority interest in net income were tallied.

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

(Transactions under common control)

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

Ogawa 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

The Company made Ogawa Toho Co., Ltd. its wholly owned subsidiary through a stock swap, aiming to further enhance the relationship with Ogawa Toho and to maximize the corporate value of the Group through increasing the mobility of distribution functions and rapid decision making, while carefully maintaining the functions of the community-based business bases cultivated by Ogawa Toho over a long period.

2. Outline of conducted account processing

The Company accounted the business combination as a transaction under common control based on the Accounting Standard for Business Combinations (ASBJ Statement, revised on December 26, 2008) and the Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, revised on December 26, 2008).

3． Acquisition of additional shares of the subsidiary

(1) Acquisition costs and a breakdown

Acquisition price	
Stocks of Toho Pharmaceutical	1,776 million yen
Payment directly required for the acquisition	
Calculation agent fee	4 million yen
Acquisition costs	1,780 million yen

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

①Types of stocks and exchange ratio

Common stock　　Toho Pharmaceutical 1 : Ogawa Toho 4.541

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 market-price net assets methods are used for the valuation of Ogawa Toho, and the average market price method was used for the valuation of Toho Pharmaceutical.

③Number of exchanged stocks and evaluation value

890,036 stocks　　1,776 million yen

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

①Value of negative goodwill　　667 million yen

②Cause

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 negative 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.

(Transactions under common control)

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

Yamaguchi 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

The Company made Yamaguchi Toho Co., Ltd. its wholly owned subsidiary through a stock swap, aiming to further enhance the relationship with Yamaguchi Toho and to maximize the corporate value of the Group through increasing the mobility of distribution functions and rapid decision making, while carefully maintaining the functions of the community-based business bases cultivated by Yamaguchi Toho over a long period

2. Outline of conducted account processing

The Company accounted the business combination as a transaction under common control based on the Accounting Standard for Business Combinations (ASBJ Statement, revised on December 26, 2008) and the Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, revised on December 26, 2008).

3． Acquisition of additional shares of the subsidiary

(1) Acquisition costs and a breakdown

Acquisition price	
Stocks of Toho Pharmaceutical	646 million yen
Payment directly required for the acquisition	
Calculation agent fee	4 million yen
Acquisition costs	650 million yen

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

①Types of stocks and exchange ratio

Common stock Toho Pharmaceutical 1 : Yamaguchi Toho 1.589

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 market-price net assets method was used for the valuation of Yamaguchi Toho, and the average market price method was used for the valuation of Toho Pharmaceutical.

③Number of exchanged stocks and evaluation value

323,901 stocks 646 million yen

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

①Value of negative goodwill 90 million yen

②Cause

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 negative 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.

(Transactions under common control)

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

ETHOS Operation of dispensing pharmacies and small lot wholesaling of pharmaceuticals

(2) Legal form of business combination

Stock swapping

(3) Corporate name after business combination

Toho Pharmaceutical

(4) Purpose and outline of stock swap

The Company made Ethos Inc. its wholly owned subsidiary through a stock swap as the Company considered that making Ethos its wholly owned subsidiary would lead to the reinforcement of cost competitiveness and marketing capabilities and would increase its business value and contribute to the community as a community-based health company.

2. Outline of conducted account processing

The Company accounted the business combination as a transaction under common control based on the Accounting Standard for Business Combinations (ASBJ Statement, revised on December 26, 2008) and the Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, revised on December 26, 2008).

３． Acquisition of additional shares of the subsidiary

(1) Acquisition costs and a breakdown

Acquisition price	
Stocks of Toho Pharmaceutical	1,366 million yen
Payment directly required for the acquisition	
Calculation agent fee	20 million yen
Acquisition costs	1,386 million yen

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

①Types of stocks and exchange ratio

Common stock Toho Pharmaceutical 1 : ETHOS 5.144

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 discounted cash flow (DCF) methods are used for the valuation of ETHOS, and the average market price method was used for the valuation of Toho Pharmaceutical.

③Number of exchanged stocks and evaluation value

810,468 stocks 1,366 million yen

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

①Value of goodwill 1,095 million yen

②Cause

Accrued after rational estimation of future excess profitability.

③Amortization method and amortization period

The goodwill will be amortized over ten 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 2008 (From April 1, 2007 to March 31, 2008)		Fiscal 2009 (From April 1, 2008 to March 31, 2009)	
Net asset per share	1,351.96	Net asset per share	1,320.76
Net income per share	148.23	Net income per share	-41.73
Net income per share-Diluted	135.55	With respect to the net income per share after adjustments on potential shares, the description was omitted despite the existence of dilutive potential shares since the Company posted a loss before income tax.	

(Note) Basis of calculation

1. Net Asset per Share

Item	Fiscal 2008 (March 31, 2008)	Fiscal 2009 (March 31, 2009)
Total net asset on consolidated balance sheet (million yen)	80,772	77,605
Net assets related to common stock (million yen)	77,237	77,542
Major components of the difference (million yen)		
Equity warrants	54	62
Minority interest	3,480	—
Number of shares of outstanding common stock (in units of 1000)	59,219	60,766
Number of treasury shares in common stock (in units of 1000)	2,089	2,056
Number of shares of common stock used in calculating net asset per share (in units of 1000)	57,130	58,710

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

	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
Net income per share		
Net income (million yen)	8,381	-2,471
Amount not related to shareholders of common stock (million yen)	—	—
Net income from common stock (million yen)	8,381	-2,471
Average number of shares outstanding during fiscal year (in units of 1000)	56,546	59,230
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)	5,289	—
(including convertible bonds with subscription rights to shares)	(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 Stock options 1,500 stock acquisition rights (150 thousand shares)	—

(Note) Since the description of net income per share after adjustments on potential shares was omitted, the bases for the calculation of the NPS after adjustments on potential shares were also omitted.

(Significant Subsequent Events)

Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
―――――	（New subsidiary） １．Outline The Company exercised rights of chattel mortgage to Fuji Biomedix Co., Ltd. for shares of Fuji Family Pharmacy Co., Ltd. on October 14, 2008. Fuji Family Pharmacy became the Company's wholly owned subsidiary on April 21, 2009. 2. Main business contents and the scale of the business of Fuji Family Pharmacy (1) Main business contents Dispensing pharmacy business (2) Scale of the business ①Principal area having stores Every region of the country, mainly the Tokyo area ② Number of pharmacies 80 pharmacies (March 31, 2009)

5. Non-consolidated Financial Statements

(1) Balance Sheets

(Unit: million yen)

	Fiscal 2008 (As of March 31, 2008)	Fiscal 2009 (As of March 31, 2009)
Assets		
Current assets		
Cash on hand and on deposit	*1 9,402	*1 7,500
Notes receivable	1,626	1,277
Accounts receivable	*4 212,405	227,342
Products	37,395	36,228
Prepaid expenses	23	34
Deferred tax assets	733	996
Purchase rebates receivable	11,601	11,392
Other accounts receivable	4,785	7,197
Short-term loans receivable	*4 6,148	*4 8,333
Other	50	141
Allowance for doubtful receivables	-92	-140
Total current assets	284,080	300,304
Fixed assets		
Property, plant and equipment		
Buildings	*1, *2 9,563	*1, *2 9,057
Structures	*2 266	*2 234
Vehicles and carriers	*2 3	*2 2
Equipment and fixtures	*2 582	*2 449
Land	*1,*5 13,828	*1,*5 13,693
Lease assets	—	*2 244
Construction in progress	126	—
Total property, plant and equipment	24,371	23,681
Intangible fixed assets		
Goodwill	175	—
Leaseholds	145	145
Software	1,796	1,607
Other	257	248
Total intangible fixed assets	2,374	2,001
Investments and other assets		
Investments in securities	*1 12,053	*1 10,070
Equity shares in associated companies	32,593	38,173
Investment in affiliates	—	505
Investment in capital	42	40
Long-term loans receivable	293	377
Long-term loans receivable to associated companies	335	462
Claims in bankruptcy and rehabilitation	399	1,323
Long-term prepaid expenses	101	90
Other	2,923	2,878
Allowance for doubtful receivables	-565	-1,365
Total investments and other assets	48,177	52,526
Total fixed assets	74,923	78,209
Total assets	359,003	378,513

(Unit: million yen)

	Fiscal 2008 (As of March 31, 2008)	Fiscal 2009 (As of March 31, 2009)
Liabilities		
Current liabilities		
Notes payable	*1 557	*1 553
Accounts payable	*1 254,966	*1 275,212
Short-term loans payable	*1 70	*1 70
Current portion of bonds	—	6,069
Current portion of long-term debt	*1 33	*1 533
Lease obligations	—	125
Accrued amount payable	*4 8,128	*4 8,903
Accrued expenses	796	805
Income taxes payable	2,232	19
Consumption taxes payable	388	—
Deposits payable	*4 9,510	*4 11,364
Accrued bonuses	1,124	1,225
Accrued bonuses for directors and corporate auditors	36	39
Reserve for sales returns	207	167
Total current liabilities	278,051	305,089
Long-term liabilities		
Bonds payable	9,600	—
Long-term debt	—	*1 3,566
Lease obligations	—	414
Deferred tax liabilities	1,413	897
Deferred tax liabilities due to revaluation	*5 1,309	*5 1,309
Accrued retirement benefits for employees	870	751
Other	2,069	1,555
Total long-term liabilities	15,262	8,495
Total liabilities	293,313	313,585

(Unit: million yen)

	Fiscal 2008 (As of March 31, 2008)	Fiscal 2009 (As of March 31, 2009)
Net assets		
Shareholders' equity		
Common stock	10,599	10,649
Capital surplus		
Legal capital reserve	26,206	28,885
Other capital surplus reserve	583	1,789
Total Capital surplus	26,790	30,675
Retained earnings		
Legal earned reserve	664	664
Other retained earnings		
Unrealized gains on land	1,273	1,093
Contingency reserve	25,433	25,433
Retained earnings brought forward	7,159	2,057
Total retained earnings	34,529	29,248
Treasury stock	-3,461	-2,020
Total shareholders' equity	68,457	68,553
Unrealized gains on revaluation		
Unrealized gains on available-for-sale securities	1,792	861
Unrealized gains on revaluation of land	*5 -4,614	*5 -4,549
Total unrealized gains on revaluation	-2,822	-3,688
Equity warrants	54	62
Total net assets	65,690	64,928
Total liabilities and net assets	359,003	378,513

(2) Profit and loss statement

(Unit: million yen)

	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
Net sales	*1 774,734	*1 806,215
Cost of sales		
Beginning goods	37,964	37,395
Cost of purchased goods	738,678	774,166
Total	776,643	811,561
Goods transfer to/from other account	*2 19	*2 98
Ending goods	37,395	36,228
Total Cost of sales	739,228	775,234
Gross income	35,506	30,980
Reversal of reserve for sales returns	-15	40
Gross income after reserve for sales returns	35,491	31,020
Selling, general and administrative expenses		
Directors' salaries and employees' salaries and allowances	13,639	14,252
Provision for accrued bonuses	1,124	1,225
Provision for directors' bonuses	36	39
Provision for accrued retirement benefits for employees	33	35
Welfare expenses	2,009	2,113
Vehicle expenses	563	586
Provision for allowance for doubtful receivables	—	73
Depreciation and amortization	1,539	1,528
Amortization expenses for goodwill	175	175
Rent	2,536	2,502
Taxes and dues	506	453
Commission fee	3,617	3,491
Miscellaneous expenses	3,928	4,192
Total selling, general and administrative expenses	29,710	30,669
Operating income	5,780	350
Non-operating income		
Interest income	160	171
Dividend income	441	526
Information sales income	1,066	1,058
Real estate rental income	254	239
Amortization expenses for negative goodwill	117	—
Miscellaneous income	448	576
Total non-operating income	*1 2,488	*1 2,573
Non-operating expenses		
Interest expenses	*1 82	*1 112
Specified line commitment fees	37	36
Provision of allowance for doubtful accounts	—	29
Commission fee	—	30
Miscellaneous losses	28	17
Total non-operating expenses	149	225
Ordinary income	8,119	2,698

(Unit: million yen)

	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
Extraordinary gains		
Gains on sales of fixed assets	*3 254	—
Gains on sales of investment securities	58	170
Reversal of allowance for doubtful accounts	3	—
Total extraordinary gains	316	170
Extraordinary losses		
Loss on disposal of fixed assets	*4 194	*4 21
Loss on revaluation of investment securities	12	456
Loss on valuation of stocks of subsidiaries and affiliates	—	5,630
Impairment loss	*5 304	*5 66
Provision of allowance for doubtful accounts	—	867
Others	89	48
Total extraordinary losses	601	7,090
Income (loss) before income taxes	7,834	-4,221
Corporate income, inhabitant and enterprise taxes	3,259	98
Adjustments for income taxes	-180	-144
Total income taxes and other	3,078	-46
Current net profit (losses)	4,755	-4,174

(3)【Statement of Changes in Shareholders' Equity】

(Unit: million yen)

	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
Shareholder's Equity		
Common stock		
Balance at the end of the preceding term	10,599	10,599
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	—	50
Total changes of items during the period	—	50
Balance at the end of the current term	10,599	10,649
Capital surplus		
Legal capital reserve		
Balance at the end of the preceding term	26,206	26,206
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	—	49
Increase by share exchanges	—	2,629
Total changes of items during the period	—	2,679
Balance at the end of the current term	26,206	28,885
Other capital surplus		
Balance at the end of the preceding term	—	583
Changes of items during the period		
Increase by share exchanges	583	1,205
Total changes of items during the period	583	1,205
Balance at the end of the current term	583	1,789
Total capital surplus		
Balance at the end of the preceding term	26,206	26,790
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	—	49
Increase by share exchanges	583	3,835
Total changes of items during the period	583	3,885
Balance at the end of the current term	26,790	30,675
Retained earnings		
Legal earned reserve		
Balance at the end of the preceding term	664	664
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of the current term	664	664
Other retained earnings		
Unrealized gains on land		
Balance at the end of the preceding term	1,041	1,273
Changes of items during the period		
Reversal of reserve for reduction entry of land	-10	-179
Provision of reserve for reduction entry of land	241	—
Total changes of items during the period	231	-179
Balance at the end of the current term	1,273	1,093

(Unit: million yen)

	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
Contingency reserve		
Balance at the end of the preceding term	25,433	25,433
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of the current term	25,433	25,433
Retained earnings brought forward		
Balance at the end of the preceding term	3,549	7,159
Changes of items during the period		
Dividends from surplus	-789	-1,041
Current net profit (loss)	4,755	-4,174
Reversal of reserve for reduction entry of land	10	179
Provision of reserve for reduction entry of land	-241	—
Reversal of revaluation reserve for land	-124	-65
Total changes of items during the period	3,610	-5,101
Balance at the end of the current term	7,159	2,057
Total retained earnings		
Balance at the end of the preceding term	30,688	34,529
Changes of items during the period		
Dividends from surplus	-789	-1,041
Current net profit (loss)	4,755	-4,174
Reversal of revaluation reserve for land	-124	-65
Total changes of items during the period	3,841	-5,280
Balance at the end of the current term	34,529	29,248
Treasury stock		
Balance at the end of the preceding term	-3,057	-3,461
Changes of items during the period		
Own company stock reacquired	-1,901	-1,963
Own company stock disposed	—	3,404
Increase by share exchanges	1,946	—
Total changes of items during the period	45	1,441
Balance at the end of the current term	-3,461	-2,020
Total shareholder’s equity		
Balance at the end of the preceding term	63,986	68,457
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	—	100
Increase by share exchanges	2,530	3,835
Dividends from surplus	-789	-1,041
Current net profit (loss)	4,755	-4,174
Own company stock reacquired	-1,901	-1,963
Own company stock disposed	—	3,404
Reversal of revaluation reserve for land	-124	-65
Total Changes of items during the period	4,471	96
Balance at the end of the current term	68,457	68,553

(Unit: million yen)

	Fiscal 2008 (From April 1, 2007 to March 31, 2008)	Fiscal 2009 (From April 1, 2008 to March 31, 2009)
Unrealized gains on revaluation		
Unrealized gains on available-for-sale securities		
Balance at the end of the preceding term	3,126	1,792
Changes of items during the period		
Net changes of items other than shareholders' equity	-1,334	-931
Total changes of items during the period	-1,334	-931
Balance at the end of the current term	1,792	861
Unrealized gains on revaluation of land		
Balance at the end of the preceding term	-4,739	-4,614
Changes of items during the period		
Net changes of items other than shareholders' equity	124	65
Total changes of items during the period	124	65
Balance at the end of the current term	-4,614	-4,549
Total unrealized gains on revaluation		
Balance at the end of the preceding term	-1,612	-2,822
Changes of items during the period		
Net changes of items other than shareholders' equity	-1,209	-866
Total changes of items during the period	-1,209	-866
Balance at the end of the current term	-2,822	-3,688
Equity warrants		
Balance at the end of the preceding term	21	54
Changes of items during the period		
Net changes of items other than shareholders' equity	32	8
Total changes of items during the period	32	8
Balance at the end of the current term	54	62
Total net assets		
Balance at the end of the preceding term	62,396	65,690
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	—	100
Increase by share exchanges	2,530	3,835
Dividends from surplus	-789	-1,041
Current net profit (loss)	4,755	-4,174
Own company stock reacquired	-1,901	-1,963
Own company stock disposed	—	3,404
Reversal of revaluation reserve for land	-124	-65
Net changes of items other than shareholders' equity	-1,177	-857
Total changes of items during the period	3,293	-761
Balance at the end of the current term	65,690	64,928

(4) [Events or situations that may cause material doubt about the assumptions of going concerns]
This disclosure is not applicable

(5) Significant Accounting Policies

Item	Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008)	Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)
1. Basis and Method of Valuation of Marketable Securities	Held-to-maturity debt securities Stated at cost amortized on a straight-line basis. Equity shares in subsidiaries and affiliates Stated at moving-average cost Available-for-sale securities With available fair market value: 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). With no available fair market value: Stated at moving-average cost.	Held-to-maturity debt securities Same as in left column. Equity shares in subsidiaries and affiliates Same as in left column. Available-for-sale securities With available fair market value: Same as in left column. With no available fair market value: Same as in left column.
2. Basis and Method of Valuation of Inventories	Stated at moving-average cost.	Stated at moving-average cost. (the book value devaluation method based on lowered profitability for balance sheet amounts) (Change in accounting policy) The Company has adopted the ASBJ Statement No. 9 Accounting Standard for the Measurement of Inventories (published on July 5, 2006) from the current fiscal year. As a result, gross profit, operating income and ordinary income decreased by 69 million yen, and the loss before income tax expanded by 69 million yen, compared with those calculated based on the existing method.
3. Method of Depreciation of Fixed Assets	(1) Property, plant and equipment Depreciated by the declining-balance method. Buildings (except for structures attached to buildings) acquired on and after April 1, 1998 are depreciated by the straight-line method. The estimated useful life of major asset categories is as follows: Buildings and structures: 10-50 years Vehicles and carries: 5-6 years Equipment and fixtures: 5-15 years (Change in accounting policy 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. The impact on income as a result of this change was insignificant. (Additional Information) 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. The impact on income as a result of this change was insignificant.	(1) Property, plant and equipment (Excluding lease assets) Depreciated by the declining-balance method. Buildings (except for structures attached to buildings) acquired on and after April 1, 1998 are depreciated by the straight-line method. The estimated useful life of major asset categories is as follows: Buildings and structures: 10-50 years Vehicles and carries: 3-6years Equipment and fixtures: 5-15 years

Item	Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008)	Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)
	(2) Intangible fixed assets Amortized by the straight-line method. Software for internal use is amortized by the straight-line method over the estimated useful life for in-house use (five years). ―――――― (4) Long-term prepaid expenses	(2) Intangible fixed assets（Excluding lease assets） Amortized by the straight-line method. Software for internal use is amortized by the straight-line method over the estimated useful life for in-house use (five years). (3) Lease assets Lease assets concerning finance lease transactions that do not transfer the ownership of the lease assets: Lease assets of finance lease transactions that do not transfer the ownership of the leases assets are accounted using the straight-line method with their residual values being zero over their leased periods deemed to be their years of useful life. In addition, of finance lease transactions that do not transfer the ownership of the lease assets, those whose date of commencement of leasing is prior to March 31, 2008, are accounted based on the accounting method applicable to ordinary operating leases. （Change of accounting policy） The Company has applied the Accounting Standard for Lease Transactions (Statement No.13, published on June 17, 1993, revised on March 30, 2007) and the Guidance on Accounting Standard for Lease Transactions (Guidance No.16, published on January 18, 1994, revised on March 30, 2007) from the current consolidated fiscal year. As a result, lease assets of 244 million yen were newly posted in fixed assets, and other current assets and investment and other assets increased by 62 million yen and 208 million yen, respectively, compared with those calculated based on the existing method. Impacts from the change in accounting policy above on profits and losses were none. In addition, impacts on business segment information are described in the relevant items. (4) Long-term prepaid expenses Same as in left column.

Item	Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008)	Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)
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.	(1) Allowance for Doubtful Accounts 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.	(2) Accrued Bonuses 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.	(3) Provision for director's bonuses Same as in left column.
	(4) Reserve for Sales Returns The estimated amount of losses on future sales returns is provided to cover possible losses on sales returns.	(4) Reserve for 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 2008 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) 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 2009 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.	―――――
6. Goodwill and negative goodwill	Goodwill and negative goodwill are amortized over a period of five years in equal amounts.	Goodwill is amortized over a period of five years in equal amounts.
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.

(6) Notes to Non-consolidated Financial Statements

(Notes to Balance Sheets)

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

*1 Assets pledged as collateral:

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

*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

3 Liabilities guaranteed

① Bank loans guaranteed

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

② Accounts payable guaranteed

Godo Toho and 1 other	40 million yen

*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 2009 (From Apr 1, 2008 to Mar 31, 2009)

*1 Assets pledged as collateral:

Classified assets pledged (million yen)		Corresponding liabilities (million yen)	
Time deposits	295	Notes and accounts payable	19,577
buildings	1,614		
Land	4,219		
Investment securities	1,136		
Buildings	484	Short-term loans payable and long-term debt (including current portion of long-term debt due within one year)	990
Land	1,201		
Total	8,951	Total	20,567

*2 Accumulated depreciation of property, plants and equipment is described as below.

Building	10,477 million yen
Structures	780 million yen
Vehicles and carriers	16 million yen
Equipment and fixtures	2,072 million yen
Lease Assets	41 million yen
Total	13,388 million yen

3 Liabilities guaranteed

① Bank loans guaranteed

Ethos	3,640 million yen
Asucome	1,620 million yen
Tokyo Research Center of Clinical Pharmacology	800 million yen
Alf	448 million yen
Wakaba	265 million yen
Total	6,774 million yen

② Accounts payable guaranteed

Godo Toho and 1 other	52 million yen

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

Trade receivables	105,696 million yen
Short-term loans receivable	5,119 million yen
Accrued amount payable	6,941 million yen
Deposits payable	11,244 million yen

<table>
<tr><th>Fiscal 2008
(From Apr 1, 2007 to Mar 31, 2008)</th><th>Fiscal 2009
(From Apr 1, 2008 to Mar 31, 2009)</th></tr>
<tr><td>*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.”
Method of revaluation:
Based on the land tax assessment register specified in Article 2-3 of the Ordinance for Enforcement of Law concerning Land Revaluation (Government Ordinance No. 119, promulgated on March 31, 1998).
Date of revaluation: March 31, 2002
Difference in value of land revalued between market and revalued book value at fiscal year-end: 2,056 million yen

*6 The Company has been lending commitment agreements with 11 trading banks to facilitate efficient procurement of working funds.
Lending commitments 12,000 million yen
Balance borrowed — million yen
Total remainder 12,000 million yen</td><td>*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.”
Method of revaluation:
Based on the land tax assessment register specified in Article 2-3 of the Ordinance for Enforcement of Law concerning Land Revaluation (Government Ordinance No. 119, promulgated on March 31, 1998).
Date of revaluation: March 31, 2002
Difference in value of land revalued between market and revalued book value at fiscal year-end: 426 million yen

*6 The Company has been lending commitment agreements with 11 trading banks to facilitate efficient procurement of working funds.
Lending commitments 12,000 million yen
Balance borrowed — million yen
Total remainder 12,000 million yen
In addition, the Company has concluded a lending commitment agreement with its banks to prepare for demand for the funds necessary for capital investment in the future.
Lending commitments 5,000 million yen
Balance borrowed — million yen
Total remainder 5,000 million yen</td></tr>
</table>

(Notes to profit and loss)

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

*1 Transactions related with associated companies are described below.

Net sales to associated companies	330,510 million yen
Dividend income from associated companies	249 million yen
Total amount of non-operating income except dividend income from associated companies	332 million yen
Interest expenses to associated companies	53million yen

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

*3 Gains on sales of fixed assets comprising:

Gain on sale of land	254 million yen

*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

*5 Impairment losses

The Toho Holdings 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 4 other sites	Real estate unused	

The Toho Holdings 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.

Fiscal 2009
(From Apr 1, 2008 to Mar 31, 200)

*1 Transactions related with associated companies are described below.

Net sales to associated companies	349,821 million yen
Dividend income from associated companies	291 million yen
Total amount of non-operating income except dividend income from associated companies	370 million yen
Interest expenses to associated companies	66 million yen

*2 Same as in left column.

―――――

*4 Losses on disposal of fixed assets comprise:

Loss on retirement of buildings	8 million yen
Loss on retirement of vehicles and carriers	8 million yen
Loss on sale of buildings	0 million yen
Loss on sale of land	4 million yen
Total	21 million yen

*5 Impairment losses

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

Location	Purpose	Class
Ito Sales Office and 2 other sites	Real estate for business use	Buildings
Ex-Kaiduka Sales Office	Real estate unused	Land and buildings

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

The Group reduced to the recoverable amount the book value of business-use real estate due to consecutive losses in value, and recognized an impairment loss of 39 million yen on buildings. The recoverable amount was measured on the basis of the scheduled net sale price. The recoverable amounts were basically based on assessments supplied by real estate appraisers, but some assets whose assessments proved insignificant were assessed in reference to the tax assessments of fixed assets.

With respect to real estate unused, the Company reduced the book value to the recoverable amount as real estate for rental use came to be unused, and recognized an impairment loss of 27 million yen. It consisted of 16 million yen on land and 10 million yen on buildings. The Group measures recoverable amounts on the basis of net sales places. The amounts of losses above were basically based on assessments supplied by real estate appraisers, but some assets whose assessments proved insignificant were assessed with reference to tax assessments of fixed assets.

(Statement of Changes in Shareholders' Equity)

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

Treasury Stock

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)
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.

Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)

Treasury Stock

Types of stocks	No. of stocks as of end of fiscal 2008 (in thousand stocks)	No. of stocks increased during fiscal 2009 (in thousand stocks)	No. of stocks decreased during fiscal 2009 (in thousand stocks)	No. of stocks as of the end of this term (in thousand stocks)
Common stocks (Note)	2,077	2,009	2,042	2,044

(Note) 1. The increase in treasury stocks of common stocks by 2,009,000 stocks consists of an increase of 16,000 stocks due to the acquisition of the stocks of a consolidated subsidiary, an increase of 4,000 stocks acquired based on a stock exchange with Ethos Inc., and an increase of 1,986,000 stocks reacquired pursuant to a board meeting resolution, and an increase of 3,000 stocks due to the reacquisition of odd stocks.

2. The decrease of 2,042,000 common shares in treasury stock consists of a decrease of 1,001,000 shares due to the delivery of substitute treasury stocks accompanying a stock exchange with Zenkaido Pharmacy Co., Ltd., a decrease of 190,000 shares due to the delivery of substitute treasury stocks in association with a stock swap with Prescription Center Co., Ltd., and a decrease of 850,000 shares delivered in association with a stock exchange with Ogawa Toho Co., Ltd.

(Notes to Leases Transactions)

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

(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)
Equipment and fixtures	6,034	2,966	3,067
Intangible fixed assets (software)	55	18	37
Total	6,090	2,984	3,105

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

Presumed year-end balance of unaccrued lease payments

Within one year	847 million yen
One year or more	2,312 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:

Lease payment	1,024 million yen
Presumed depreciation	967 million yen
Presumed interest expense	74 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 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 2009 (From Apr 1, 2008 to Mar 31, 2009)

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)
Equipment and fixtures	5,189	2,932	2,257
Intangible fixed assets (software)	55	28	27
Total	5,245	2,960	2,284

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

Presumed year-end balance of unaccrued lease payments

Within one year	724 million yen
One year or more	1,625 million yen
Total	2,350 million yen

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

Lease payment	918 million yen
Presumed depreciation	863 million yen
Presumed interest expense	63 million yen

(4) Method of calculating presumed depreciation

Same as in left column.

(5) Method of calculating interest expense

Same as in left column.

(Impairment loss)

Same as in left column.

(Notes to Marketable Securities)

Stocks in subsidiaries and affiliates with available fair market values

	Fiscal 2008 (Mar 31, 2008)			Fiscal 2009 (Mar 31, 2009)		
	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)

<table>
<tr><th>Fiscal 2008
(Mar 31, 2008)</th><th>Fiscal 2009
(Mar 31, 2009)</th></tr>
<tr><td>(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 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
Impairment loss 136
Revaluation reserve for land to be sold 113
Others 50
Total 1,316
Valuation reserve -560
Subtotal 756
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</td>
<td>(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 22
Accrued bonuses 496
Retained loss 373
Others 87
Total 1,004
Valuation reserve -7
Subtotal 996
Deferred tax assets (fixed assets)
Allowance for doubtful receivables 513
Investment securities 311
Stocks in associated companies 165
Other long-term liabilities 145
Accrued retirement benefits for employees 304
Impairment loss 90
Loss carried forward 960
Others 53
Total 2,546
Valuation reserve -2,030
Subtotal 515
Total deferred tax assets 1,512
Deferred tax liabilities (long-term liabilities)
Deferred capital gains on land 744
Revaluation difference on available-for-sale securities 668
Total deferred tax liabilities -1,413
Net deferred tax liabilities 99</td></tr>
<tr><td>(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</td>
<td>(2) Major components of difference between statutory effective tax rate and income tax, and other burden rate after application of tax effect accounting

The description was omitted as the Company posted a loss before income tax for the current fiscal year.</td></tr>
</table>

(Notes to Business Combinations)

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

Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)
Refer to (1) Notes to Consolidated Financial Statements of 1 Consolidated Financial Statements (Notes to Business Combinations).

(Information per Share)

Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008)		Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)	
Net asset per share	1,148.65 yen	Net asset per share	1,104.62 yen
Net income per share	84.09 yen	Net income per share	-70.46 yen
Net income per share - Diluted	76.90 yen	With respect to the net income per share after adjustments on potential shares, the description was omitted despite the existence of dilutive potential shares since the Company posted a loss before income tax.	

(Note) Basis for calculation

1. Net asset per share

Item	Fiscal 2008 (Mar 31, 2008)	Fiscal 2009 (Mar 31, 2009)
Total net assets on balance sheet (million yen)	65,690	64,928
Net assets related to common stock (million yen)	65,635	64,865
Major components of difference (million yen) Equity warrants	54	62
Number of shares of outstanding common stock (in thousand stocks)	59,219	60,766
Number of treasury shares of common stock (in thousand stocks)	2,077	2,044
Number of shares of common stock used in calculating net asset per share (in thousand stocks)	57,141	58,722

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

	Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008)	Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)
Net income per share		
Net income (million yen)	4,755	-4,174
Amount not related to shareholders of common stock (million yen)	—	—
Net income from common stock (million yen)	4,755	-4,174
Average number of shares outstanding during fiscal year (in thousand stocks)	56,557	59,247
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)	5,289	—
(including convertible bonds with subscription rights to shares)	(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 Stock options 1,500 stock acquisition rights (150 thousand shares)	—

(Significant Subsequent Events)

Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008)	Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)
――――	（The Adoption of a Holding Company Structure and the Change of the Company Name through a Corporate Split） TOHO HOLDINGS CO., LTD. is pleased to announce that a meeting of the Board of Directors held on January 6, 2009 resolved to transfer its pharmaceutical wholesaling business and its business pertaining to the management of dispensing pharmacy business companies to its wholly owned subsidiary, former Toho Holdings Co., Ltd. (the “former Toho Holdings,” which was amended to “Toho Pharmaceutical Co., Ltd.” on April 1, 2009) and to its wholly owned subsidiary, PharmaCluster Co., Ltd. (“PharmaCluster”), respectively, by way of a corporate split (hereinafter collectively referred to as the “Corporate Split”), and to adopt a holding company structure on April 1, 2009. After the Corporate Split, former Toho Pharmaceutical amended its company name to “TOHO HOLDINGS CO., LTD.” on April 1, 2009, and has continued to be listed on the stock exchange. Both the Corporate Split and the change of company name were adopted subject to a resolution made by an extraordinary meeting of shareholders held on February 13, 2009. １． Purpose of the Corporate Split The Kyoso Mirai Group, a distribution firm group of pharmaceutical products, is working toward maximizing its group synergy by positively applying all managerial resources under the corporate slogan of “Total Commitment to Good Health.” the company is the core company of the Kyoso Mirai Group. The business environment surrounding the pharmaceutical distribution industry, in which the Company operates, has recently become increasingly difficult, given the escalation of competition between major pharmaceutical wholesaling companies reflecting a more careful examination by customers when selecting their business partners, lower sale prices as a result of the introduction of appropriate medical treatment costs, and an increase in customer purchasing power. In this environment, while aiming to bolster the corporate value of the Group, the Company has decided to adopt a holding company structure to respond promptly and flexibly to the dramatic changes in the business environment. By adopting a holding company structure, the Company will undertake the following initiatives. (i) Strengthening the Group’s management functions By separating the Group’s business management functions and operational execution functions, the Company will increase the speed with which the Group’s management functions are carried out, achieve the appropriate allocation of the Group’s management resources, and increase the synergy between Group companies. (ii) Improving the speed of decision making functions The Company will increase the speed of decision making with regard to the management of the Group by concentrating specific functions within the holding company, such as the development and implementation of the Group’s strategies, and supervisory functions regarding the management of the Group, and by ensuring that each business company is flexible with regard to the execution of its operations. (iii) Initiating flexible corporate and organizational restructuring With the Corporate Split, the Company will initiate an additional round of flexible corporate restructuring. The Corporate Split should also enable the Group to carry out its business and organizational restructuring promptly and flexibly to respond to changes in the business environment.

Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008)	Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)
―――	2. Schedule of the Corporate Split Meeting of the Board of Directors to resolve to adopt a holding company structure November 6, 2008 (Thu) Meeting of the Board of Directors to approve the agreement for the Corporate Split January 6, 2009 (Tue) Execution of the agreement regarding the Corporate Split January 6, 2009 (Tue) Meeting of the shareholders to approve the agreement for the Corporate Split February 13, 2009 (Fri) Effective Date of the Corporate Split April 1, 2009 (Wed) (Note) An absorption type corporate split, in which TOHO HOLDINGS is the Split Company and PharmaCluster is the Succeeding Company, was conducted without the approval of a shareholders' meeting as it is deemed to be a simplified absorption type split pursuant to Article 784, Paragraph 3 of the Corporation Law. In addition, the Corporate Split was conducted without the approval of a shareholders' meeting by the former Toho Holdings and PharmaCluster, as it is deemed to be a summary absorption type split pursuant to Article 796, Paragraph 1 of the Corporation Law. 3. Method of the Corporate Split (i) Pharmaceutical wholesaling business Absorption Type Corporate Split, in which TOHO HOLDINGS is the Split Company and its wholly owned subsidiary, the former Toho Holdings, is the Succeeding Company. (ii) Business pertaining to the management of dispensing pharmacy business companies Absorption Type Corporate Split, in which TOHO HOLDINGS is the Split Company and its wholly owned subsidiary, PharmaCluster, is the Succeeding Company. 4. Details of Allocation with the Corporate Split No shares of stock to be allocated with the Corporate Split because the former Toho Holdings and PharmaCluster are wholly owned subsidiaries of TOHO HOLDINGS. 5. Capital Reduction due to the Corporate Split Not applicable. 6. Treatment of Share Options and Bonds with Share Options of the Split Company There is no change in the share options and bonds with share options issued by TOHO HOLDINGS because of the Corporate Split. 7. Rights and Obligations to be Succeeded by the Succeeding Companies The former Toho Holdings shall succeed to the assets, liabilities, and employment contracts, as well as the rights and obligations incidental to these with respect to the pharmaceutical wholesaling business of TOHO HOLDINGS as of the effective date of the Corporate Split. In addition, PharmaCluster shall succeed to the assets with respect to the business pertaining to the management of dispensing pharmacy business companies of TOHO HOLDINGS as of the effective date of the Corporate Split. The obligations to be succeeded by the Corporate Split shall be additionally assumed by TOHO HOLDINGS. 8. Prospect of Fulfilling Obligations The former Toho Holdings and PharmaCluster conclude that there are no doubts regarding fulfillment of the obligations to be borne by each party after the effective date of the Corporate Split.

Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008)	Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)
――――――	9. Outline of the Succeeding Companies

	Succeeding Company (as of March 31, 2009)
Company name	Toho Holdings Co., Ltd. (Amended to "Toho Pharmaceutical Co., Ltd.," on April 1, 2009.)
Business contents	Wholesale of pharmaceuticals and reagents
Establishment	November 4, 2008
Principal place of business	5-2-1 Daizawa, Setagaya-ku, Tokyo
Corporate representative	Mamoru Ishii President and CEO (Note)
Capital	10 million yen
Number of shares issued	200 shares
Net assets	9 million yen (non-consolidated)
Total assets	10 million yen (non-consolidated)
Fiscal year end	March 31
Employees	0 (non-consolidated)

(Note) Hiroyuki Kohno assumed the position of the Representative Director and President on April 1, 2009.

	Succeeding Company (as of March 31, 2009)
Company name	PHARMACLUSTER CO., LTD.
Business contents	Management of dispensing pharmacy business companies
Establishment	December 24, 2008
Principal place of business	4-4-2 Honcho, Nihonbashi, Chuo-ku, Tokyo
Corporate representative	Mamoru Ishii President and CEO (Note)
Capital	10 million yen
Number of shares issued	200 shares
Net assets	5 million yen (non-consolidated)
Total assets	21 million yen (non-consolidated)
Fiscal year end	March 31
Employees	0 (non-consolidated)

(Note) Kazunari Sue assumed the position of the Representative Director and President on April 1, 2009.

10. Overview of the Business Segments to be Split

(i) Pharmaceutical wholesaling business

Management of the subsidiaries that engage in the sales of pharmaceuticals, narcotics, reagents, etc., sales of medical devices, and the wholesale trade in pharmaceuticals.

(ii) Business pertaining to the management of dispensing pharmacy business companies

Management of the subsidiaries that engage in national health insurance pharmacies, home medical care services, and sales of pharmaceuticals.

11. Operating Results of the Divisions to be Split (as of the Fiscal Term ending March 2009)

	Pharmaceutical wholesaling business	Business pertaining to the management of dispensing pharmacy business companies (Note)
Net sales	806,215 million yen	—
Gross profit	31,020 million yen	—
Operating income	350 million yen	—

(Note) As TOHO HOLDINGS does not operate the dispensing pharmacy business by itself, it only splits its shares of the stocks of its dispensing pharmacy business subsidiaries. Therefore, the figures, including the net sales to be split, are set at zero.

Fiscal 2008 (From Apr 1, 2007 to Mar 31, 2008)	Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)
――――――	12. Item and Amount of Assets and Liabilities to be Split (as of September 30, 2008)

	Pharmaceutical wholesaling business	Business pertaining to the management of dispensing pharmacy business companies
Current assets	277,841 million yen	0 million yen
Fixed Assets	29,091 million yen	5,123 million yen
Total Assets	306,932 million yen	5,123 million yen
Current liabilities	279,057 million yen	0 million yen
Long-term liabilities	898 million yen	0 million yen
Total liabilities	279,956 million yen	0 million yen

(Note) The data above is based on figures as of September 30, 2008, and is different from the actual amount to be transferred in the corporate split.

13.Basic Information on the Listed Company after the Corporate Split

Company name	TOHO HOLDINGS CO., LTD.
Business contents	Control and management of business companies as a holding company
Principal place of business	5-2-1 Daizawa, Setagaya-ku, Tokyo
Corporate representative	Norio Hamada / President and CEO
Capital	10,649 million yen (There is no change due to the Corporate Split.)
Fiscal year end	March 31 (not amended)

Fiscal 2008	Fiscal 2009
――――――	(New subsidiary)

（New subsidiary）

1. Outline

The Company exercised rights of chattel mortgage to Fuji Biomedix Co., Ltd. for shares of Fuji Family Pharmacy Co., Ltd. on October 14, 2008. Fuji Family Pharmacy became the Company’s wholly owned subsidiary on April 21, 2009.

2. Main business contents and the scale of the business of Fuji Family Pharmacy

(1) Main business contents

Dispensing pharmacy business

(2) Scale of the business

①Principal area having stores

Every region of the country, mainly the Tokyo area

② Number of pharmacies

80 pharmacies (March 31, 2009)