Summary of Consolidated Financial Results of Fiscal 2010

May 12, 2010

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 29, 2010 Planned Date of Dividends Payment: June 9, 2010
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 2010 (from April 1, 2009 to March 31, 2010)

(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 2010	1,002,122	19.5	10,939	262.0	14,133	116.6	8,263	—
Fiscal 2009	838,903	4.2	3,021	-70.6	6,525	-53.1	-2,471	—

	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 2010	125.69	122.83	9.3	3.2	1.1
Fiscal 2009	-41.73	-	-3.2	1.7	0.4

(Reference) Equity in earnings (losses) of equity-method investees : Fiscal 2010 : 77 million yen ; Fiscal 2009 : 71 million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
Fiscal 2010	489,452	100,838	20.6	1,370.25
Fiscal 2009	397,845	77,605	19.5	1,320.76

(Reference) Shareholder's equity: Fiscal 2010 : 100,738 million yen ; Fiscal 2009 : 77,542 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 2010	1,998	-3,021	6,781	22,645
Fiscal 2009	9,963	-8,385	-4,979	13,091

2. Historical Payment of Dividends

	Annual Cash Dividend per Share					Total Dividends	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	—	10.00	—	10.00	20.00	1,171	—	1.5
Fiscal 2010	—	8.00	—	8.00	16.00	1,058	12.7	1.2
Fiscal 2011 (Projected)	—	8.00	—	8.00	16.00	—	14.4	—

3. Consolidated Projected Results of Operations during Fiscal Year 2011 (from April 1, 2010 to March 31, 2011)

(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	522,000	9.5	5,600	92.0	7,200	62.4	3,600	57.4	48.38
Yearend	1,060,000	5.8	12,000	9.7	14,700	4.0	8,300	0.4	111.49

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. N.A.

② Changes other than ① N.A.

(3) Number of shares outstanding (Common stock)

① Number of shares outstanding at end of fiscal year (Including common stock for treasury) Fiscal 2010 : 74,582,502 share Fiscal 2009 : 60,766,622 share

② The end of the term number of treasury stocks Fiscal 2010 : 1,063,968share Fiscal 2009 : 2,056,071share

(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 77.

(Reference) Summary of Non-consolidated Financial Statements

1. Non-Consolidated Results of Operations for the March 2010 (from April 1, 2009 to March 31, 2010)

(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 2010	3,563	-99.6	886	152.6	1,309	-51.5	753	—
Fiscal 2009	806,215	4.1	350	-93.9	2,698	-66.8	-4,174	—

	Net Income per Share	Net Income per Share - Diluted
	yen	yen
Fiscal 2010	11.46	11.26
Fiscal 2009	-70.46	—

(2) Non-consolidated Financial Position

	Total Asset	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	yen
Fiscal 2010	85,393	59,447	69.5	807.62
Fiscal 2009	378,513	64,928	17.1	1,104.62

(Reference) Shareholder's Equity Fiscal 2010 : 59,384 million yen Fiscal 2009 : 64,865 million yen

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

- The above forecast figures are based on the information available to the management at the present moment, and therefore actual business results may differ from the above forecast figures due to a variety of factors that may occur in the near future.
- The projected net income per share is adjusted taking into account the 969,840 treasury shares that were allocated to the stock swaps with Kosei Co., Ltd. and Aobado Co., Ltd., effective on April 16, 2010.

For further information concerning forecasts for the operating results for fiscal 2011, 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 2010, although the Japanese economy showed signs of bottoming out from the deep recession triggered by the financial crisis that originated in the US, it continued to be surrounded by uncertainties including the worsening employment picture and consumer spending remaining in the doldrums. Meanwhile, the market for prescription pharmaceuticals grew steadily, posting about a 4.7% year-on-year increase in the year starting from April 2009 to March 2010 (Crecon Research & Consulting Inc.'s estimates), supported by the rapidly ageing population in Japan, a rate of population ageing that is one of the fastest in the world. With the specific measures of the government's "strategy targeting a society of health and longevity through life innovation" likely to be implemented from this point onward, expectations that the industry will become one of the drivers behind Japan's economic growth have been increasingly heightened.

Amid this operating environment and under the Group slogan, "Total Commitment to Good Health", the Group strongly promoted the mainstay pharmaceutical wholesaling business proposal-based marketing and sales centered on its customer support systems and was able to minimize product price declines through stricter price management, as the fiscal year was the first year of the Second Medium-term Management Plan, "Challenge to be the Demand Innovator 10-12". The dispensing pharmacy business, which we have been developing as a second earnings pillar, also performed briskly from the beginning of the fiscal year, buoyed by the increasing number of newly consolidated companies with sales and operating income surging 140.6% and 83.6%, respectively, from the preceding year.

Under these circumstances, consolidated sales for the fiscal year ended March 2010 increased by 163,218 million yen (up 19.5%) from the previous year to 1,002,122 million yen, surpassing the 1 trillion yen mark for the first time since the Company's foundation in 1948, due primarily to Asucome Co., Ltd. (which became TOHO HOLDINGS' consolidated sub-subsidiary on February 1, 2010) and OMWELL Inc. (which became TOHO HOLDINGS' consolidated subsidiary on October 1, 2009, and then merged with SANUS Inc. on January 1, 2010, to form the current SAYWELL Co., Ltd.) having one by one started cooperative purchasing (products are supplied by the TOHO HOLDINGS' consolidated subsidiary TOHO PHARMACEUTICAL CO., LTD.) since April. Other contributors to the strong sales include: sales growth thanks to proposal-based marketing and sales centered on the Company's unique customer support systems, which have become highly rated by customers; sales growth of pharmaceuticals for lifestyle-related diseases as well as new drugs; and robust demand for pharmaceutical products related to the pandemic of H1N1 influenza.

In terms of profits, all of the operating income, ordinary income and net income significantly surpassed the corresponding results of the previous year, aided by efforts to prevent product price declines as much as possible, solid expansion of the dispensing pharmacy business and curbing of the growth in SG&A expenses.

Consequently, in the fiscal year ended March 2010, we posted consolidated net sales of 1,002,122 million yen (up 19.5% from the preceding year), an operating income of 10,939 million yen (up 262.0%), an ordinary income of 14,133 million yen (up 116.6%), and a net income of 8,263 million yen.

(Review of Operations by Business Segment)

In the pharmaceutical wholesaling operations, net sales for the current consolidated fiscal year amounted to 972,482 million yen (up 17.6%, year on year), and the operating income was 8,706 million yen (up 204.6%, year on year). In addition, net sales include internal sales between business segments of 25,610 million yen.

During the consolidated fiscal year ended March 2010, the Company made on April 1, 2009, its consolidated sub-subsidiary operating in Niigata Prefecture, Nagaoka Pharmaceutical Co., Ltd., merge into another of its consolidated sub-subsidiaries, Honma Toho Co., Ltd. (headquartered in Niigata City), also trading in Niigata Prefecture. Furthermore, the Company made OMWELL Inc. (headquartered in Hiroshima City), operating in the Chugoku region, its wholly-owned subsidiary on October 1, 2009, and then merged it with SANUS Inc. (headquartered in Hiroshima City), a consolidated sub-subsidiary also operating in the Chugoku region (to form a new company, SAYWELL Co., Ltd.) on January 1, 2010. The Company also made Asucome Co., Ltd. (headquartered in Sendai City), trading in the Tohoku region, its wholly-owned sub-subsidiary on February 1, 2010.

In dispensing pharmacy operations, existing stores grew steadily. In addition, the Company reorganized the dispensing pharmacy business, including the consolidation of its consolidated sub-subsidiary, ETHOS Inc., and ETHOS's wholly-owned subsidiary, Toyaku Co., Ltd., to form Tomonity Inc. on October 1, 2009. As a result, net sales for the current consolidated fiscal year were 54,329 million yen (up 140.7%, year on year), and operating income stood at 2,420 million yen (up 83.6%, year on year).

In CRO and SMO operations, net sales for the current consolidated fiscal year were 474 million yen (down by 10.0% from the previous year) and the operating account was a minus of 2 million yen. In other operations, net sales for the current consolidated fiscal year were 649 million yen and the operating account was a minus of 85 million yen.

(Projections for the Next Fiscal Year)

Some uncertainty surrounds the outlook for the prescription pharmaceutical wholesaling industry from ongoing measures to curtail medical expenses such as the NHI drug price reductions (5.75% on average; and 6.5% on average if the special price reduction for long-listed drugs with generic competition are included) as a result of NHI drug price revisions implemented this year and the promotion of the use of generic drugs, together with people refraining from going to see a doctor due to the protracted economic downturn. However, the market is likely to follow a moderate but steady upward path, with Crecon Research & Consulting expecting it to advance 2.1% as a whole from the previous year.

With regard to the pharmaceutical wholesaling business, although it is difficult to predict the potential impact of the new drug pricing system, including the introduction of a new scheme aiming to maintain patented drug prices in their patent protection period to encourage the marketing of new innovative drugs, the Company will strive to secure adequate profits through sales growth propelled by increasing the number of consolidated companies along with thorough price management. With regard to the dispensing pharmacy business, in addition to the greater volume of sales likely to be assured by the increasing number of consolidated companies, existing consolidated companies aim to continue boosting their management efficiency and implementing increasingly higher value-added operations. Accordingly, net sales for the next fiscal year ending March 2011 are projected to be 1,060,000 million yen (up 5.8% from the previous year), with the operating income estimated at 12,000 million yen (up 9.7%), ordinary income, 14,700 million yen (up 4.0%), and net income, 8,300 million yen (up 0.4%).

(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 2010 increased 19.3% from the end of the previous consolidated fiscal year to 364,464 million yen, due mainly to an increase in cash on hand and on deposit of 13,421 million yen, an increase in notes and accounts receivable of 34,674 million yen, an increase in products of 10,372 million yen, an increase in purchase rebates receivable of 1,606 million yen, and a decrease in short-term loans receivable of 3,817 million yen.

Fixed assets as of the end of March 2010 increased 35.5% from the end of the previous year to 124,988 million yen, due primarily to an increase in buildings and structures of 3,915 million yen, an increase in land of 8,076 million yen, an increase in goodwill of 7,136 million yen, an increase in investment in securities of 7,312 million yen, and an increase in long-term loans receivable of 2,558 million yen.

As a result, consolidated total assets as of the end of March 2010 increased 23.0% from the end of the previous consolidated fiscal year to 489,452 million yen.

(ii) Liability

Consolidated current liabilities as of the end of March 2010 increased 14.5% against the end of the previous consolidated fiscal year to 342,396 million yen, which is attributable mainly to an increase in notes and accounts payable of 34,312 million yen, an increase in short-term loans payable of 4,754 million yen, an increase in the current portion of long-term debt within one year of 3,824 million yen, an increase in income taxes payable of 3,614 million yen, and a decrease in bonds redeemable within one year of 5,923 million yen.

Consolidated long-term liabilities increased 118.5% from the end of the previous fiscal year to 46,217 million yen, due mainly to an increase in long-term debt of 16,448 million yen, an increase in deferred tax liabilities of 3,279 million yen, an increase in accrued retirement benefits for employees of 2,411 million yen, and an increase in negative goodwill of 2,291 million yen.

As a result, total liabilities as of the end of the current fiscal year increased 21.4% against the end of the last year to 388,613 million yen

(iii) Net assets

Total net assets as of the end of the consolidated fiscal year under review increased 29.9% from the end of March 2009 to 100,838 million yen, due primarily to an increase in the capital surplus of 14,472 million yen, an increase in retained earnings of 7,168 million yen, an increase in unrealized gains on available-for-sale securities of 634 million yen, and a decrease in treasury stock of 920 million yen.

② Cash Position

Cash and cash equivalents (hereinafter referred to as "cash") during this consolidated fiscal year increased by 9,554 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 22,645 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

Cash flow from operating activities was an inflow of 1,998 million yen (a decrease of 7,964 million yen on a year-on-year basis). Although inflow was secured by some positive factors such as income before income taxes of 13,784 million yen, depreciation and amortization of 2,455 million yen, an increase in notes and accounts payable of 15,925 million yen, and a decrease in inventories of 355 million yen, these were somewhat offset by negative factors including an increase in notes and accounts receivable of 29,076 million yen and payment of income taxes of 2,313 million yen.

(ii) Cash Flows from Investing Activities

Cash flow from investing activities was an outflow of 3,021 million yen (despite an increase of 5,364 million yen from the previous year). Positive factors, such as a net increase in cash of 1,058 million yen as the difference between payment for additions to time deposits and proceeds from refunds from time deposits, a net increase in cash of 1,799 million yen as the difference between payment for the acquisition of and proceeds from the sale of marketable securities, and proceeds from the sale of investment securities of 643 million yen, were totally offset by negative factors including payment for the acquisition of property, plant and equipment of 2,686 million yen, payment for the acquisition of stocks in affiliates of 908 million yen, and payment for the extension of loans of 3,147 million yen.

(iii) Cash Flows from Financing Activities

Cash flow from financing activities was an inflow of 6,781 million yen (an expansion of 11,761 million yen on a year-on-year basis), due to a net increase in long-term loans payable of 16,042 million yen, despite expenditures for the redemption of bonds of 6,281 million yen, payment for the acquisition of treasury stocks of 1,084 million yen, and the payment of cash dividends of 1,056 million yen.

(Reference) Trends in key indicators of cash flows

	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010
Shareholder's Equity Ratio (%)	15.9	17.9	19.9	19.5	20.6
Shareholder's Equity Ratio (%) at Market Value	25.2	30.6	37.2	14.0	18.4
Ratio of cash flows to interest-bearing debts (%)	244.2	22.3	-	1.0	1,838.8
Interest Coverage Ratio (time)	27.9	251.3	-	75.6	4.9

* 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 common annual dividend of 16 yen per share (8 yen per share for both interim dividend and year-end dividend).
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)
In order to implement flexible capital management policies in response to changes in the operating environment, the Company acquired 960,000 shares in treasury stock, or 1.3% of total outstanding shares, valued at 1,082 million yen from the stock market on December 24, 2009, based on a resolution adopted by its 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 1,063,968 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 12, 2010).

Ⅰ Pharmaceutical Wholesaling Operations

1. Legal Regulations

In its pharmaceutical wholesaling operations segment, as of the end of March 2010, the Toho holdings Group, together with the Company's business alliance partners (13 members of the Kyoso Mirai Group), has established a combined network of sales bases spanning an archipelago that includes 46 prefectures (except Okinawa). The Toho Holdings 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 Holdings 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 2006, 2008, and 2010 when the NHI prices were cut, respectively, by 6.7%, 5.2%, and 5.75%.

The Toho Holdings 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.

Furthermore, since the institutional reforms to be implemented by the government with a view to achieving sound public finances for medical insurance have a direct impact on the earnings structures of medical institutions and dispensing pharmacies, the Group's major customers, an increasing number of them have funneled their efforts into strengthening their management bases, as witnessed in moves such as cooperative purchasing adopted by public hospitals and expansion of the scale of businesses, including the consolidation of dispensing pharmacy chains. As part of these moves, they also strive to boost their purchasing capacity. Accordingly, increasing pressure tends to be put on pharmaceutical wholesalers to offer a discount for volume-based purchases, which is enabled by economies of scale.

In addition, as the government encourages the use of generic pharmaceuticals through the implementation of specific promotion measures, the use of such pharmaceuticals has been on the rise.

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

3. Business Practices Unique to Industry

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.

The rate of sales rebates is decided by taking all purchasing terms and conditions such as purchase values, location of the delivery bases, and usance into account. For pharmaceutical wholesalers, to get sales rebates virtually means to get a discount on the purchase price.

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 18 companies covering 29 prefectures, as of the end of March 2010. 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.

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

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.

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

The Company has transformed itself into a pure holding company through the implementation of a company split, effective on April 1, 2009, when the Company's trading name changed from TOHO PHARMACEUTICAL CO., LTD. to TOHO HOLDINGS CO., LTD.

For the purposes hereof, the Group (TOHO HOLDINGS and its associated companies) or simply the "Group" consists of TOHO HOLDINGS or simply the "Company," 50 subsidiaries, and 11 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 Wholesaling Operations

The Company's 10 consolidated subsidiaries (Toho Pharmaceutical, Kyushu Toho, Asucome, Honma Toho, Saywell, Koyo, Godo Toho, Sue Yakuhin, Yamaguchi Toho, Ogawa Toho), 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 consolidated subsidiaries supply these products to 25 subsidiaries (Phrama-Daiwa, Tomonity, Chuoh Medical, PharmaSquare, Zenkaido, J. Mirai Medical, Vega Pharma and 18 others) and five affiliated companies (Wakaba, and four others).

TOHO SYSTEM SERVICE CO., LTD. (a consolidated subsidiary) is chiefly engaged in mission-critical system operations such as data processing for the Kyoso Mirai Group (consisting of the Company, and affiliated companies and companies tying up with us whose mainstay is pharmaceutical wholesaling).

(2) Dispensing Pharmacies Operations

Phrama-Daiwa, Tomonity, Chuoh Medical, PharmaSquare, Zenkaido, J. Mirai Medical, Vega Pharma and 18 other companies (subsidiaries), and Wakaba and four other companies (associates) primarily manage health insurance dispensing pharmacies.

PharmaCluster Co., Ltd. (a consolidated subsidiary) undertakes the management of the dispensing pharmacy business.

(3) Site Management Organization (SMO) Operations

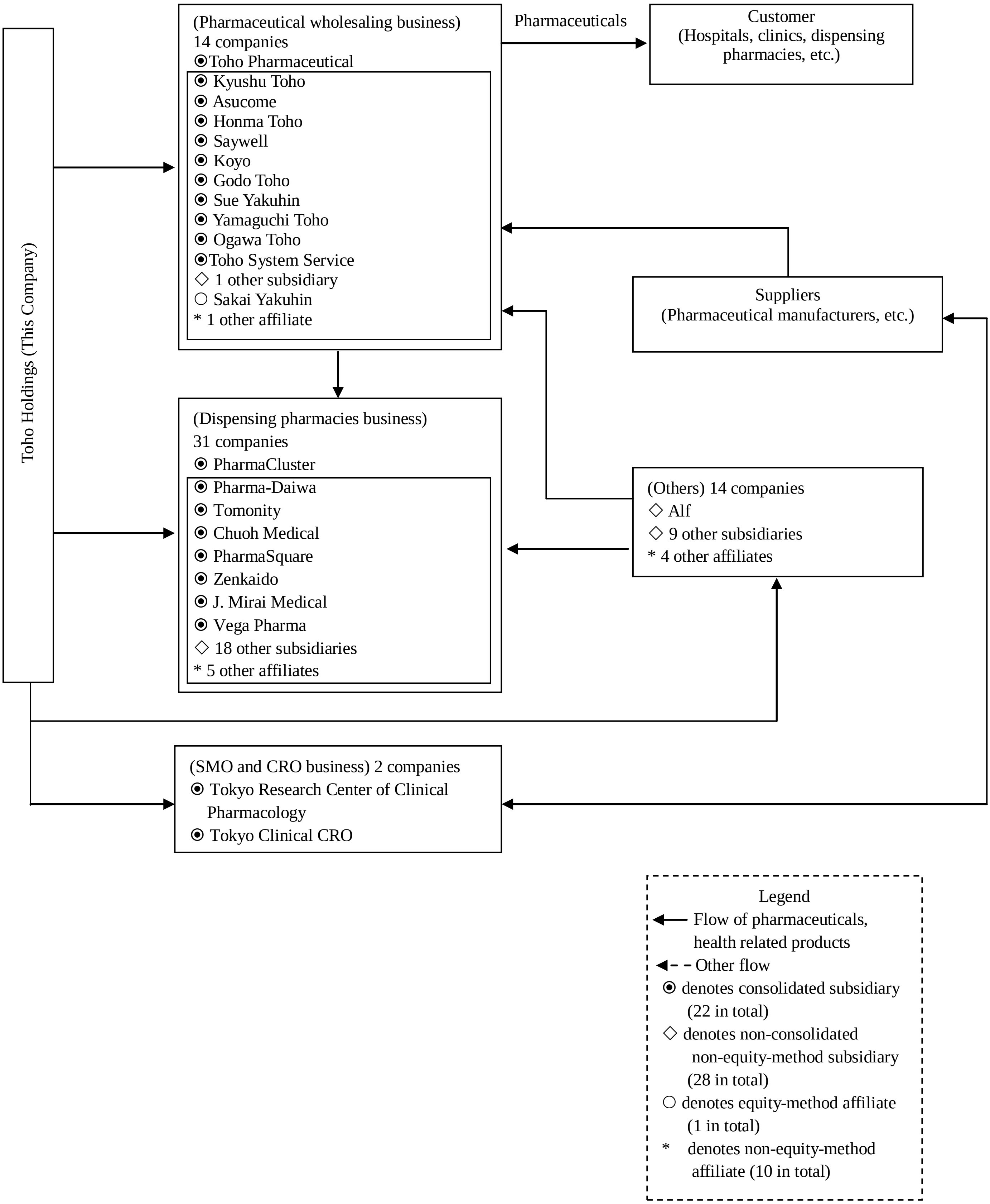
The Tokyo Research Center of Clinical Pharmacology, a consolidated subsidiary, undertakes SMO (Site Management Organization) operations.

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

(4) Other Operations

Alf, a consolidated subsidiary, and 13 other companies (9 subsidiaries and 4 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)					
Toho Pharmaceutical	Setagaya -ku, Tokyo	300	Pharmaceutical wholesaling	100.00	Company represented on Board of Directors. Supported financially by Company.
Kyushu Toho	Kumamoto City, Kumamoto	522	Pharmaceutical wholesaling	100.00 (100.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Company represented on Board of Directors.
Asucome	Sendai City, Miyagi	404	Pharmaceutical wholesaling	100.00 (100.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Company represented on Board of Directors.
Honma Toho	Chuoh-ku, Niigata City, Niigata	100	Pharmaceutical wholesaling	100.00 (100.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Company represented on Board of Directors.
SAYWELL	Nishi -ku, Hiroshima City, Hiroshima	95	Pharmaceutical wholesaling	100.00 (35.61)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Company represented on Board of Directors.
Koyo	Takamatsu City, Kagawa	72	Pharmaceutical wholesaling	100.00 (100.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Company represented on Board of Directors.
Godo Toho	Hirano-ku, Osaka City, Osaka	45	Pharmaceutical wholesaling	100.00 (100.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Company represented on Board of Directors.
Sue Yakuhin	Midori city, Gunma	30	Pharmaceutical wholesaling	100.00 (100.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Company represented on Board of Directors.
Yamaguchi Toho	Tsuchiura City, Ibaraki	20	Pharmaceutical wholesaling	100.00 (100.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Company represented on Board of Directors.
Ogawa Toho	Takasaki City, Gunma	20	Pharmaceutical wholesaling	100.00 (100.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. 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.

Name	Location	Capital (Million yen)	Main Business Description	Company's Voting Ownership (%)	Detailed Relationship with Company
Pharma Cluster	Chuoh-ku, Tokyo	10	Management of dispensing pharmacy business companies	100.00	Company represented on Board of Directors. Supported financially by the Company.
Pharma-Daiwa	Kumamoto City, Kumamoto	100	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary.
TOMONITY	Chuoh-ku, Tokyo	50	Operation of dispensing pharmacies and small-lot wholesaling of pharmaceuticals	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary. Supported financially by Company.
Chuoh Medical	Chuoh-ku, Niigata City, Niigata	50	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary.
Pharma Square	Chuoh-ku, Tokyo	50	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary. Supported financially by Company.
Zenkaido Yakkyoku	Nishi -ku, Niigata City, Niigata	36	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary.
J.Mirai Medical	Neyagawa City, Osaka	20	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary. Supported financially by Company.
VEGAPHARMA	Habikino City, Osaka	10	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary.
Tokyo Research Center of Clinical Pharmacology	Shinjuku -ku, Tokyo	401	SMO	100.00	Supported financially by Company. Company represented on Board of Directors.
Tokyo Clinical CRO	Shinjuku-ku, Tokyo	10	CRO	100.00	Company represented on Board of Directors.
ALF	Shibuya-ku, Tokyo	90	Manufacture and marketing of information processing equipment	92.32 (0.83)	Engaged in marketing of the Group's customer support systems. Supported financially by Company.
(Equity-Method Affiliates) Sakai Yakuhin	Mitaka City, Tokyo	60	Pharmaceutical wholesaling	35.00	Supplied pharmaceuticals by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Company represented on Board of Directors.

(Note) 1. Any indirect ownership reflected in a voting ownership ratio is enclosed in parentheses.
2. SAYWELL Co., Ltd. is a specified subsidiary.
3. Sales from TOHO PHARMACEUTICAL CO., LTD. (excluding internal sales posted between consolidated companies) account for more than 10% of total consolidated sales.

Major profit/loss information
① Net sales 946,976 million yen
② Ordinary income 7,149 〃
③ Net income 4,567 〃
④ Net Assets 11,828 〃
⑤ Total Assets 370,212 〃

3. Business Management Policy

1) Company’s Basic Policy for Management of Operations

In a super-ageing society, medical and health care is of great interest to the public. Although diversifying, the market for medical and health care has been on a long-term expansion trend.

Moreover, the Japanese government’s “New Growth Strategy (Basic Policies)” adopted on December 30, 2009, at a Cabinet meeting calls for a strategy targeting a society of health and longevity through life innovation. Accordingly, medical, nursing, and health care-related industries have once again come into the spotlight as a driver of the economy from this point onward. Under such market circumstances, the Company sets “Total Commitment to Good Health” as its group slogan and strives to achieve the societal mission of “contributing to the medical care and health of people around the world.” 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. Accordingly, setting the following five pillars as core values commonly shared by all members of the Group, we will act to establish a corporate brand of “Trust and Sympathy” as a company engaged in medical and health care businesses.

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

From the current fiscal year onward, reviewing and revising the “medium-term consolidated management plan” every fiscal year in a prompt response to the rapidly changing operating environment, the Group will strive to examine business portfolios, strengthen group-wide competitiveness, and boost profitability. Management targets the posting of 1,200,000 million yen in sales, an operating income of 16,000 million yen, an ordinary income of 16,800 million yen and a net income of 9,500 million yen in the fiscal year ending March 2013. In addition, as a medium- to long-term goal, management aims at the stable maintenance of an ordinary income/sales ratio of 2% to be achieved through higher value-added business portfolios, and a SG&A expenses/sales ratio of just over 5% in the pharmaceutical wholesaling business through the promotion of measures to raise operating efficiency.

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 Develop the dispensing pharmacy business into a second earnings pillar, with the prescription pharmaceutical wholesaling business as the Company’s core, and expand operations to cover healthcare-related areas centered on 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

<Firm Establishment of a 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 Group 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.

＜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 2.65 months (6-month average) by March 2012. As of the end of March 2010, the inventory turnover was 0.64 months, and the number of months of accounts receivable was 2.73 months.

≪Pharmaceutical Wholesaling Business≫

<Firm Establishment of a New Drug Pricing System and Distribution Improvements>

Spurred by the "Urgent Proposals" that the Council for the Improvement of Ethical Drug Distribution announced in September 2007 and reported to the expert committee on the NHI drug pricing at the Central Social Insurance Medical Council (Chuikyo) in October of that year, the Group as a whole acted decisively in the previous consolidated fiscal year to correct inappropriate trade practices such as provisional shipping with the pricing yet to be negotiated, global pricing and the issue on the gap between NHI prices and market prices. Although we attained certain positive results, some unfinished business has remained on the issue of correcting the gap between NHI prices and market prices. Furthermore, the new drug pricing system centering on a new scheme introduced on a trial basis from April 2010 aims to encourage the development of new and unapproved drugs from the patient's viewpoint, while maintaining the prices of new patented drugs in their patent protection period. While asking for understanding about the revisions from medical institutions, we aim at price formation based on each pharmaceutical value and will make our utmost efforts to firmly establish the new pricing system in the next fiscal year. The Group will continue to establish our standing as a reliable pharmaceutical distributor rather from the public viewpoint and strive to improve distribution in order to boost the Group's existential value as a pharmaceutical wholesaler.

<Kyoso Mirai Group>

Posting sales of more than 1 trillion yen, the Kyoso Mirai Group with TOHO PHARMACEUTICAL CO., LTD. as its core enjoys a significant presence. It also has a network of operating bases covering most parts of Japan. Enabling members to commonly use our purchasing, distribution, and mission-critical systems, it has secured economies of scale, which are essential for any pharmaceutical wholesaler to survive. 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 Kyoso Mirai Group, and to consider optimal corporate governance and enhance the Group's power.

During the consolidated fiscal year under review, the Company made on April 1, 2009, its consolidated sub-subsidiary operating in Niigata Prefecture, Nagaoka Pharmaceutical Co., Ltd., merge into another of its consolidated sub-subsidiaries, Honma Toho Co., Ltd. (headquartered in Niigata City), also trading in Niigata Prefecture. Furthermore, the Company made on October 1, 2009, its consolidated sub-subsidiary operating in Oita and Miyazaki Prefectures, Mori Pharmaceutical Co., Ltd. (headquartered in Miyazaki City) merge into another of its consolidated sub-subsidiaries, Kyushu Toho Co., Ltd. (headquartered in Kumamoto City), trading in the Kyushu region. In addition, the Company made OMWELL Inc. (headquartered in Hiroshima City) operating in the Chugoku region its wholly-owned subsidiary on October 1, 2009, and then merged it with SANUS Inc. (headquartered in Hiroshima City), a consolidated sub-subsidiary also operating in the Chugoku region (to form a new company, SAYWELL Co., Ltd.) on January 1, 2010.

The Company also made Asucome Co., Ltd. (headquartered in Sendai City) trading in the Tohoku region its wholly-owned sub-subsidiary on February 1, 2010.

<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 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.
In addition, three companies in the Group (TOHO HOLDINGS, TOHO PHARMACEUTICAL CO., LTD., and Tomonity Inc.) have started from October 1, 2009, joint research with the University of Tokyo (National University Corporation) with the aim of developing a system to collect, assess and analyze information on various case samples and medical consumer needs arising at pharmacies, in particular including information about experiences of potential accidents, as well as a system to efficiently carry out post-marketing pharmaceutical surveillance studies.
Meanwhile, as a part of its efforts to put generic pharmaceuticals into wider use, the Company entered on February 9, 2010, into an agreement for a capital and business alliance aiming to support the manufacturing and marketing of pharmaceuticals (generic pharmaceuticals at its inception) developed by FUJIFILM Pharma Corporation, which FUJIFILM Corporation has established in order to make a full-scale entry into the pharmaceutical development and sales business. While engaged in the exclusive marketing and distribution of the products of FUJIFILM Pharma Corporation, the Company will strive to step up our sales activities and ensure the stable supply of pharmaceuticals for domestic medical institutions.
Moreover, the Company formed a business tie-up with Jointown Pharmaceutical Group Co., Ltd., a pharmaceutical wholesaler headquartered in Wuhan in Hubei province, China, in April 2005. Since then, we have deepened our relationship through personnel exchanges centering on distribution areas and have prepared for the establishment of a joint venture company. In fiscal 2011, we will make an effort to establish a new operational base for pharmaceutical distribution in China through the new company.

<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>
The Company has once again set as part of the Second Medium-term Management Plan, “Challenge to be the Demand Innovator 10-12”, the following goals to boost operating efficiency on a consolidated basis: an automated order receipts ratio of 90%; an automated collections ratio of 98%; and a separated sales and distribution ratio of 80%. The results at the end of the current consolidated term were an automated order receipts ratio of 60.5% , an automated collections ratio of 94.2% , and a separated sales and distribution ratio of 83.5%.

<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.
Furthermore, in order to expand sales and step up pharmaceutical traceability, we are planning to establish a new distribution center in Kyushu and transfer and refurbish the two distribution bases, namely the present TBC Omiya and TBC Higashi Osaka, in the current fiscal year onward.

<Innovation in Marketing Style>
In order to strengthen wholesaling functions, the Group has improved systems to manage operating information in response to the diversification of marketing measures by the manufacturers. 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(an interactive system enabling ordering and information retrieval on handheld information terminals) 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, ENI-Pharmacy (system for the separation of dispensaries from medical practices), LXMATE-HeLios (a hospital appointment booking system via telephone), PharmaStream ENIF club plan (support system for Web-learning; Internet-based lifelong education for pharmacists), and e-ENIF.net (an Internet-based inventory management and order placement support system) 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 consolidated fiscal year under review, we have placed particular emphasis on the marketing of ENIFvoice, a voice-recognition medication history recording support system that raises the efficiency of troublesome operations at dispensing pharmacies such as medication history recording and medication teaching through simple voice entry and the use of input templates.

≪Dispensing Pharmacy Business≫

＜Dispensing Pharmacy Operations＞

The Group will extend across-the-board support for the future sound management of regional family pharmacies, utilizing its strong marketing capacity including its unique customer support systems. Meanwhile, as specific measures to promote vertical cooperation with dispensing pharmacies, the Group will explore based on the spirit of “Kyoso Mirai (to create the future together)”, the Group’s basic principle, new and functional models of a flexible alliance making considerable use of the ties between insurance pharmacies, prescribers and patients. On top of these operations, the Group also intends to focus on the marketing of OTC pharmaceuticals and the enhancement of home healthcare-related operations to develop the dispensing pharmacy business into a stable earnings source over the long term.

During the consolidated fiscal year under review, in line with the shift to a holding company system, companies engaged in dispensing pharmacy operations have been consolidated and put under the control of PharmaCluster Co., Ltd., a dispensing pharmacy management company. Out of all the sub-subsidiaries engaged in dispensing pharmacy operations, three companies have newly become consolidated companies of TOHO HOLDINGS. The Company has also reorganized the dispensing pharmacy business, including the consolidation of its consolidated sub-subsidiary, ETHOS Inc., and ETHOS’s wholly-owned subsidiary, Toyaku Co., Ltd., to form Tomonity Inc. on October 1, 2009. From this point onward, the Group aims at maximization of the corporate value of the member companies and reducing SG&A expenses through such measures as the standardization of back-office functions. Moreover, we have established the “Study Group for the Kyoso Mirai Group in Pharmacy” to support micro, small and medium-sized dispensing pharmacies intending to operate independently in the field of regional medical care. 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.

On October 4, 2009, we held a “Pharmacy Fair” with the “Evolution and Speciality” of dispensing pharmacies as the keyword and with the objective of thinking about and proposing an ideal future form for dispensing pharmacies. It was the first fair of its kind held in Japan.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Unit: million yen)

	Fiscal 2009 (As of March 31, 2009)	Fiscal 2010 (As of March 31, 2010)
Assets		
Current assets		
Cash on hand and on deposit	*3 13,772	*3 27,194
Notes and accounts receivable	216,791	251,465
Marketable securities	500	2,099
Products	45,403	55,776
Deferred tax assets	2,002	2,055
Purchase rebates receivable	11,883	13,490
Other	15,633	12,907
Allowance for doubtful receivables	-398	-523
Total current assets	305,589	364,464
Fixed assets		
Property, plant and equipment		
Buildings and structures	*3 14,648	*3 18,563
Vehicles and carriers	20	20
Land	*3.*5 29,248	*3.*5 37,325
Lease assets	309	1,019
Construction in progress	30	150
Other	908	1,194
Total property, plant and equipment	*1 45,166	*1 58,273
Intangible fixed assets		
Goodwill	8,398	15,535
Other	2,462	2,943
Total intangible fixed assets	10,861	18,478
Investments and other assets		
Investments in securities	*2,*3 29,677	*2,*3 36,989
Long-term loans receivable	902	3,461
Deferred tax assets	197	576
Others	7,398	10,110
Allowance for doubtful receivables	-1,946	-2,900
Total investments and other assets	36,229	48,236
Total fixed assets	92,256	124,988
Total assets	397,845	489,452

(Unit: million yen)

	Fiscal 2009 (As of March 31, 2009)	Fiscal 2010 (As of March 31, 2010)
Liabilities		
Current liabilities		
Notes and accounts payable	*3 278,520	*3 312,833
Short-term loans payable	*3 4,839	*3,*6 9,593
Current portion of bonds	6,169	245
Current portion of long-term debt	*3 707	*3 4,531
Lease obligations	145	472
Income taxes payable	601	4,216
Accrued expenses	1,518	2,042
Accrued bonuses	2,555	3,104
Directors' bonuses	80	80
Reserve for sales returns	273	304
Other	3,676	4,971
Total current liabilities	299,087	342,396
Long-term liabilities		
Bonds payable	300	372
Long-term debt	*3 3,763	*3 ,*6 20,212
Lease obligations	479	1,326
Deferred tax liabilities	7,311	10,590
Accrued retirement benefits for employees	2,172	4,583
Deferred tax liabilities due to revaluation	*5 1,309	*5 1,308
Negative goodwill	2,926	5,217
Other	2,891	2,604
Total long-term liabilities	21,153	46,217
Total liabilities	320,240	388,613
Net assets		
Shareholders' equity		
Common stock	10,649	10,649
Capital surplus	28,062	42,535
Retained earnings	45,133	52,302
Treasury stock	-1,980	-1,060
Total shareholders' equity	81,865	104,427
Unrealized gains on revaluation		
Unrealized gains on available-for-sale securities	249	884
Unrealized gains on revaluation of land	*5 -4,572	*5 -4,572
Total unrealized gains on revaluation	-4,322	-3,688
Equity warrants	62	62
Minority interests	—	37
Total net assets	77,605	100,838
Total liabilities and net assets	397,845	489,452

(2) Consolidated profit and loss statement

(Unit: million yen)

	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
Net sales	838,903	1,002,122
Cost of sales	776,610	920,687
Gross income	62,293	81,434
Reversal of reserve for sales returns	-46	10
Gross income after reserve for sales returns	62,339	81,424
Selling, general and administrative expenses		
Directors' salaries and employees' salaries and allowances	30,475	36,551
Provision for accrued bonuses	2,519	2,892
Provision for directors' bonuses	76	80
Provision for accrued retirement benefits for employees	193	355
Welfare expenses	4,704	5,645
Vehicle expenses	1,229	1,115
Depreciation and amortization	2,171	2,455
Amortization expenses for goodwill	1,344	2,028
Rent	4,631	5,988
Taxes and dues	745	916
Miscellaneous expenses	11,225	12,455
Total selling, general and administrative expenses	59,317	70,484
Operating income	3,021	10,939
Non-operating income		
Interest income	141	124
Dividend income	418	487
Information sales income	1,940	2,271
Real estate rental income	168	253
Amortization expenses for negative goodwill	1,194	1,601
Equity in earnings of investees	71	77
Miscellaneous income	676	795
Total non-operating income	4,610	5,610
Non-operating expenses		
Interest expenses	132	401
Specified line commitment fees	36	86
Loss before deduction of temporary consumption tax payment	837	1,771
Provision of allowance for doubtful accounts	29	—
Miscellaneous losses	72	157
Total non-operating expenses	1,107	2,416
Ordinary income	6,525	14,133

(Unit: million yen)

	Fiscal 2009 (From April 1, 2008 to March 31, 2010)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
Extraordinary gains		
Gains on sales of fixed assets	*1 0	*1 72
Gains on sales of investment securities	275	5
Reversal of allowance for doubtful accounts	92	—
Gain on sales of subsidiaries and affiliates' stocks	—	97
Gain on liquidation of subsidiaries and affiliates	—	76
Gain on revision of retirement benefit plan	220	—
Others	7	118
Total extraordinary gains	597	369
Extraordinary losses		
Loss on disposal of fixed assets	*2 58	*2 198
Loss on revaluation of investment securities	536	85
Loss on valuation of stocks of subsidiaries and affiliates	5,586	—
Impairment loss	*3 295	*3 117
Provision of allowance for doubtful accounts	1,260	110
Loss from dept waiver	—	93
Others	101	112
Total extraordinary losses	7,838	718
Income (loss) before income taxes	-715	13,784
Corporate income, inhabitant and enterprise taxes	1,748	5,169
Adjustments for income taxes	-35	370
Total income taxes and other	1,712	5,540
Minority interests(losses)	43	-19
Current net profit (losses)	-2,471	8,263

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

(Unit: million yen)

	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
Shareholder's Equity		
Common stock		
Balance at the end of the preceding term	10,599	10,649
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	10,649	10,649
Capital surplus		
Balance at the end of the preceding term	24,181	28,062
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	3,835	14,472
Total changes of items during the period	3,880	14,472
Balance at the end of the current term	28,062	42,535
Retained earnings		
Balance at the end of the preceding term	48,829	45,133
Increase stemming from the fiscal year-end changes in consolidated subsidiaries	—	115
Changes of items during the period		
Change of scope of consolidation	—	-153
Surplus distributed to shareholders	-1,041	-1,056
Net income	-2,471	8,263
Increase by merger	-118	—
Reversal of revaluation reserve for land	-65	0
Total changes of items during the period	-3,696	7,053
Balance at the end of the current term	45,133	52,302
Treasury stock		
Balance at the end of the preceding term	-3,436	-1,980
Changes of items during the period		
Own company stock reacquired	-1,949	-1,084
Own company stock disposed	3,404	2,005
Total changes of items during the period	1,455	920
Balance at the end of the current term	-1,980	-1,060

(Unit: million yen)

	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
Total shareholder’s equity		
Balance at the end of the preceding term	80,175	81,865
Increase stemming from the fiscal year-end changes in consolidated subsidiaries	—	115
Changes of items during the period		
Increase by share exchanges	3,835	14,472
Change of scope of consolidation	—	-153
Issuance of new shares-exercise of subscription rights to shares	100	—
Surplus distributed to shareholders	-1,041	-1,056
Net income	-2,471	8,263
Own company stock reacquired	-1,949	-1,084
Own company stock disposed	3,399	2,005
Increase by merger	-118	—
Reversal of revaluation reserve for land	-65	0
Total Changes of items during the period	1,689	22,446
Balance at the end of the current term	81,865	104,427
Unrealized gains on revaluation		
Unrealized gains on available-for-sale securities		
Balance at the end of the preceding term	1,699	249
Changes of items during the period		
Net changes of items other than shareholders' equity	-1,449	634
Total changes of items during the period	-1,449	634
Balance at the end of the current term	249	884
Unrealized gains on revaluation of land		
Balance at the end of the preceding term	-4,637	-4,572
Changes of items during the period		
Net changes of items other than shareholders' equity	65	-0
Total changes of items during the period	65	-0
Balance at the end of the current term	-4,572	-4,572
Total unrealized gains on revaluation		
Balance at the end of the preceding term	-2,937	-4,322
Changes of items during the period		
Net changes of items other than shareholders' equity	-1,384	634
Total changes of items during the period	-1,384	634
Balance at the end of the current term	-4,322	-3,688

(Unit: million yen)

	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
Equity warrants		
Balance at the end of the preceding term	54	62
Changes of items during the period		
Net changes of items other than shareholders' equity	8	—
Total changes of items during the period	8	—
Balance at the end of the current term	62	62
Minority interests		
Balance at the end of the preceding term	3,480	—
Changes of items during the period		
Net changes of items other than shareholders' equity	-3,480	37
Total changes of items during the period	-3,480	37
Balance at the end of the current term	—	37
Total net assets		
Balance at the end of the preceding term	80,772	77,605
Increase stemming from the fiscal year-end changes in consolidated subsidiaries	—	115
Changes of items during the period		
Increase by share exchanges	3,835	14,472
Change of scope of consolidation	—	-153
Issuance of new shares-exercise of subscription rights to shares	100	—
Surplus distributed to shareholders	-1,041	-1,056
Net income	-2,471	8,263
Own company stock reacquired	-1,949	-1,084
Own company stock disposed	3,399	2,005
Increase by merger	-118	—
Reversal of revaluation reserve for land	-65	0
Net changes of items other than shareholders' equity	-4,857	671
Total changes of items during the period	-3,167	23,118
Balance at the end of the current term	77,605	100,838

(4) 【Consolidated Statements of Cash Flows】

(Unit: million yen)

	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
Cash flows from operating activities		
Income (loss) before income taxes	-715	13,784
Depreciation and amortization	2,171	2,455
Loss on impairment	295	117
Amortization expenses for goodwill	1,344	2,028
Amortization expenses for negative goodwill	-1,194	-1,601
Decrease in accrued employees' retirement benefits	-84	-30
Increase (decrease) in reserve for sales returns	-46	10
Increase in accrued bonuses	16	82
Increase (decrease) in accrued directors' bonuses	1	0
Increase (decrease) in allowance for doubtful receivables	1,035	-418
Interest and dividend income	-559	-612
Interest expense	132	401
Loss (gain) on sales and retirement of noncurrent assets	58	126
Loss (gain) on sales and valuation of investment securities	261	89
Gain on sales of subsidiaries and affiliates' stocks	—	-97
Gain on sale of stocks of affiliated companies	5,586	—
Loss on revaluation of golf club memberships	12	0
Decrease (increase) in notes and accounts receivable-trade	-12,032	-29,076
Increase (decrease) in inventories	1,720	355
Increase (decrease) in other assets	-691	-1,365
Increase (decrease) in trade payables	19,538	15,925
Increase (decrease) in other liabilities	142	838
Decrease in accrued consumption taxes	-1,255	-538
Others	-2,005	-918
Subtotal	13,729	1,559
Interest and dividend income	562	641
Interest payment	-131	-405
Expenditures for the fulfillment of guaranty liabilities	-2,000	—
Payment of income taxes	-4,188	-2,313
Other	1,991	2,517
Net cash provided by operating activities	9,963	1,998

(Unit: million yen)

	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
Cash flows from investing activities		
Payment for addition to time deposits	-259	-635
Proceeds from refunds of time deposits	842	1,694
Payment for acquisition of securities	—	-1,500
Proceeds from sale of securities	—	3,299
Payment for acquisition of property, plant and equipment	-863	-2,686
Proceeds from sale of property, plant and equipment	200	241
Payment for acquisition of intangible fixed assets	-424	-381
Proceeds from sale of intangible fixed assets	5	63
Payment for acquisition of investment securities	-814	-170
Proceeds from sale of investment securities	966	643
Proceeds from acquisition of stocks in subsidiaries accompanied by changes in consolidation	—	*2 274
Purchase of stocks of subsidiaries and affiliates	-3,991	-908
Proceeds from sale of stocks in subsidiaries and affiliates	—	210
Payment for extension of loans	-3,981	-3,147
Proceeds from collection of loans	521	421
Others	-587	-439
Net cash provided by (used in) investing activities	-8,385	-3,021
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-1,423	-61
Proceeds from long-term debt	4,100	18,400
Payment for repayment of long-term debt	-611	-2,357
Payments for retirement by purchase of bonds	-3,391	—
Redemption of bonds	-10	-6,281
Payment for acquisition of own stock	-1,947	-1,084
Payment for satisfaction of finance lease liabilities	-647	-776
Payment of cash dividends	-1,041	-1,056
Payment of cash dividends to minority shareholders	-6	—
Net cash provided by financing activities	-4,979	6,781
Increase (decrease) in cash and cash equivalents	-3,401	5,758
Cash and cash equivalents at beginning of year	15,851	13,091
Increase in cash and cash equivalents due to business mergers	30	449
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	566
Increase in cash and cash equivalents due to stock swap	610	3,059
Decrease in cash and cash equivalents due to alteration of the financial period of a consolidated subsidiary	—	-280
Cash and cash equivalents at the end of this term	*1 13,091	*1 22,645

(5)[Notes regarding the Going Concern Assumption]
This disclosure is not applicable

(6) Basis of Presenting Consolidated Financial Statements

Account	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
1. Scope of Consolidation	(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.	(1) Number of Consolidated Subsidiaries: 22 The identities of primary consolidated subsidiaries are provided in "State of Associated Companies." TOHO PHARMACEUTICAL CO., LTD. took over the Company's pharmaceutical wholesaling business and became a consolidated subsidiary on April 1, 2009, through a company split, changing its name from TOHO HOLDINGS CO., LTD. to the current name on the same day. PharmaCluster Co., Ltd. also took over the Company's dispensing pharmacy business management operations and became a consolidated subsidiary on April 1, 2009, through a company split. TOHO HOLDINGS CO., LTD. made Pharma Square Co., Ltd. (previously, Fuji Family Pharmacy Co., Ltd.), ALF, Inc., and J. Mirai Medical its consolidated subsidiaries during the consolidated fiscal year through stock acquisition. The Company made OMWELL Inc. and Asucome Co., Ltd. its consolidated subsidiaries during the consolidated fiscal year through stock exchanges. SANUS Inc. and OMWELL Inc. merged to form SAYWELL Co., Ltd. Since the significance of Pharma Daiwa Co., Ltd. and Vega Pharma Co., Ltd. increased during the consolidated fiscal year, they have become the Company's consolidated subsidiaries. Kyushu Toho Co., Ltd. and Mori Pharmaceutical Co., Ltd. merged during the consolidated fiscal year. ETHOS Inc. and Toyaku Co., Ltd. merged in the consolidated fiscal year to form Tomonity Inc.
	(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

Account	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
2. Application of Equity Method	(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: Wakaba Non-consolidated subsidiaries and affiliates not accounted for by the equity method are excluded because they do not individually have any significant effect on the Company's consolidated net income or retained earnings, and are also insignificant as a whole.	(1) Number of Affiliates Accounted for by Equity Method: 1 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: Wakaba Same as in left column
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.	Pharma Square Co., Ltd., a consolidated subsidiary whose previous name was Fuji Family Pharmacy Co., Ltd., has changed its fiscal year-end from May 31 to March 31. As a result, Pharma Squares' consolidated fiscal year corresponds to that of the Company. The one-month profit and loss stemming from the fiscal year-end change is booked as retained earnings, while cash flow is booked as a decrease in cash and cash equivalents caused by the fiscal year-end change at the consolidated subsidiary.

Account	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
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 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) . (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, 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.	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 Ten consolidated subsidiaries (Toho Pharmaceutical, Kyushu Toho, Asucome, Honma Toho, Saywell, 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).

Account	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
(2) Method of Depreciation of Significant Depreciable Assets	①Property, 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: 3 - 6 years Equipment and fixtures: 5 - 15 years ②Intangible 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) Finance lease transactions not involving the transfer of ownership were previously accounted for based on the accounting treatment for ordinary rental transactions. However, from the consolidated fiscal year under review, they have started to be accounted for based on methods applicable to ordinary trading transactions in accordance with the “Accounting Standard for Lease Transactions” (ASBJ［Accounting Standards Board of Japan］Statement No. 13［June 17, 1993; First Committee, Business Accounting Deliberation Council; revised on March 30, 2007］) and the “Implementation Guidance on the Accounting Standard for Lease Transactions” (ASBJ Guidance, No 16［January18, 1994; Accounting System Committee, Japanese Institute of Certified Public Accountants; revised on March 30, 2007］). 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.	①Property, plants, and equipment（Excluding lease assets） Same as in left column ②Intangible fixed assets（Excluding lease assets） Same as in left column ③ Lease assets Lease assets concerning finance lease transactions that do not transfer the ownership of the lease assets: Same as in left column

Account	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
(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 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.	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 three consolidated subsidiaries (Toho Pharmaceutical, 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 2010 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 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
	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) 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) 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.	Thirteen consolidated subsidiaries (Kyushu Toho (having absorbed Mori Pharmaceutical), Asucome, Saywell, Koyo, Sue Pharmaceutical, TOMONITY, Pharma Square , Zenkaido Yakkyoku, J.Mirai Medical, VEGAPHARMA, Tokyo Research Center of Clinical Pharmacology, Tokyo Clinical CRO, and ALF) 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.
(4) 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 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
(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 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
・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.	

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

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		
Time deposits	20	Short-term loans payable and long-term debt (including current portion of long-term debt due within one year)	1,298
Buildings	1,195		
Land	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 2010 (As of March 31, 2010)

*1 Accumulated depreciation of property, plant and equipment: 32,591 million yen

*2 Investments in non-consolidated subsidiaries and affiliates:

Investment in securities 4,537million yen

*3 Assets pledged as collateral:

Classified assets pledged (million yen)		Liabilities secured by collateral (million yen)	
Time deposits	696	Notes and accounts payable	20,492
Buildings	2,027		
Land	6,058		
Investment securities	2,594		
Time deposits	46	Short-term loans payable and long-term debt (including current portion of long-term debt due within one year)	4,540
Buildings	2,846		
Land	4,254		
Investment securities	7		
Total	18,531	Total	25,033

4 Liabilities guaranteed

① Bank loans guaranteed

Wakaba	205 million yen
Kensho& 3 other cases	161 million yen
Total	366 million yen

② Accounts payable guaranteed

Kensho	1,158 million yen
Kyoei yakuhin	50 million yen
Total	1,208 million yen

③ Leases guaranteed

Akagi Jibiinkoka and another	34 million yen

Fiscal 2009 (As of March 31, 2009)	Fiscal 2010 (As of March 31, 2010)
*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	*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: 1,461 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 2 trading 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	6 The Company and its consolidated subsidiaries have entered into multiple lending commitment agreements with 14 trading banks to facilitate the efficient procurement of working funds. Lending commitments 24,200 million yen Balance borrowed 7,165 million yen Total remainder 17,034 million yen In addition, the Company has entered into a lending commitment agreement with one trading bank to facilitate the efficient procurement of general business funds. Lending commitments 1,000 million yen Balance borrowed 900 million yen Total remainder 100 million yen

(Notes to Consolidated Statements of Income)

Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
*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	*1 Gains on sales of fixed assets comprising: Gain on sale of buildings 39 million yen Gain on sales of land 31 million yen Gain on sale of vehicles and carriers 0 million yen Total 72 million yen
*2 Losses on disposal of fixed assets comprise: Loss on retirement of buildings 41 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 vehicles and carries 0 million yen Total 58 million yen	*2 Losses on disposal of fixed assets comprise: Loss on retirement of buildings 123 million yen Loss on retirement of vehicles and carriers 8 million yen Loss on retirement of software 54 million yen Loss on sale of buildings 10 million yen Loss on sale of land 1 million yen Loss on sale of equipment and fixtures 0 million yen Total 198 million yen
*3 Impairment losses The Group recognized impairment losses on the following asset groups during the fiscal year under review.	*3 Impairment losses The Group recognized impairment losses on the following asset groups during the fiscal year under review.

Fiscal 2009:

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	

Fiscal 2010:

Location	Purpose	Class
Former Reagents Kumamoto Office and 4 other sites	Real estate for business use	Land and buildings
Former Tokushima Distribution Center and 15 other sites	Real estate unused	

Fiscal 2009:

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.

Fiscal 2010:

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 40 million yen. It comprised 32 million yen on land and 7 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 76 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 59 million yen on land and 17 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 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 fiscal 2009 (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.2,3)	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 Chozai 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 fiscal 2009 (million yen)
			End of fiscal 2008	fiscal 2009 (Increase)	fiscal 2009 (Decrease)	End of fiscal 2009	
Toho Holdings Co., Ltd.	Yen-denominated convertible bonds with subscription rights to shares due October 2, 2009 (note)	Common stock	5,289	—	1,945	3,343	–
	Subscription rights to shares as stock options	–	—	—	—	—	62
Consolidated subsidiaries	—	—	—	—	—	—	–
Total			5,289	—	1,945	3, 343	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. 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.

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

Fiscal 2010 (From April 1, 2009 to March 31, 2010)

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 2009 (in thousand stocks)	No. of stocks increased during fiscal 2010 (in thousand stocks)	No. of stocks decreased during fiscal 2010 (in thousand stocks)	No. of stocks as of the end of fiscal 2010 (in thousand stocks)
Outstanding stocks				
Common stocks (No.1)	60,766	13,815	—	74,582
Total	60,766	13,815	—	74,582
Treasury stock				
Common stocks (No.2,3)	2,056	961	1,953	1,063
Total	2,056	961	1,953	1,063

(Note) 1. The increase of 13,815,000 shares in outstanding common stocks represents the shares newly issued for the stock swap with OMWELL Inc.

2. The increase of 961,000 shares in treasury common stocks represents an increase of 960,000 shares authorized by the Board of Directors and an increase of 1,000 shares as a result of the purchase of odd-lot shares.

3. The decrease of 1,953,000 shares in treasury common stocks represents decreases resulting from stock swaps with the following companies: Asucome Co., Ltd. (a decrease of 863,000 shares), Seiko Pharmacy Co. Ltd. (a decrease of 471,000 shares), Himawari Pharmacy Co., Ltd. (a decrease of 176,000 shares) and Medical Brain Co., Ltd. (a decrease of 443,000 shares).

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 fiscal 2010 (million yen)
			End of fiscal 2009	fiscal 2010 (Increase)	fiscal 2010 (Decrease)	End of fiscal 2010	
Toho Holdings Co., Ltd.	Yen-denominated convertible bonds with subscription rights to shares due October 2, 2009 (note)	Common stock	3,343	—	3,343	—	—
	Subscription rights to shares as stock options	—	—	—	—	—	62
Consolidated subsidiaries	—	Common stock	—	200	200	—	—
Total			3,343	200	3,543	—	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 fiscal 2010 represents redemption at maturity. No monetary payment was required in exchange for the subscription rights.

2. The increase in consolidated subsidiaries is a result of new consolidations, while the decrease represents the waiver 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 8, 2009 Board of directors	Common stock	587	10	March 31, 2009	Jun 8, 2009
November 6, 2009 Board of directors	Common stock	469	8	September 30, 2009	December 7, 2009

(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 12, 2010 Board of directors	Common stock	588	Retained earnings	8	March 31, 2010	June 9, 2010

(Notes to Consolidated Statements of Cash Flows)

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

(As of March 31, 2009)

	(million yen)
Cash on hand and on deposit	13,772
Time deposits maturing beyond three months of deposit	-1,182
Short-term investments (investment securities) becoming due within three months of acquisition	500
Cash and cash equivalents	13,091

2 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
Fixed assets	61
Total assets	151
Current liabilities	99
Fixed 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
Fixed assets	691
Total assets	1,787
Current liabilities	1,023
Fixed 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	148
Fixed assets	90
Total assets	238
Current liabilities	119
Total liabilities	119

Fiscal 2010 (From April 1, 2009 to March 31, 2010)

*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, 2010)

	(million yen)
Cash on hand and on deposit	27,194
Time deposits maturing beyond three months of deposit	-5,050
Short-term investments (investment securities) becoming due within three months of acquisition	501
Cash and cash equivalents	22,645

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:

・Pharma Square

	(million yen)
Current assets	3,924
Fixed assets	1,161
Goodwill	5,588
Current liabilities	-5,866
Fixed liabilities	-518
Acquisition price of stock in Pharma Square	4,289
Exercise of collateral rights, etc.	-3,103
Pharma Square's cash and cash equivalents	-1,390
Balance: Net payment for acquisition of stock in Pharma Square	-204

・ALF

	(million yen)
Current assets	1,954
Fixed assets	1,423
Goodwill	393
Current liabilities	-2,585
Fixed liabilities	-867
Equity warrants	-1
Acquisition price of stock in ALF	316
Stocks already acquired	-303
ALF's cash and cash equivalents	-83
Balance: Net payment for acquisition of stock in ALF	-69

Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
・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 Fixed assets 278 Total assets 3,311 Current liabilities 1,908 Fixed liabilities 416 Total liabilities 2,325 ④ The amounts of assets and liabilities related to finance leases newly accounted for in the current term were 362 million yen.	3 Details of important non-monetary transactions ①Breakdown of assets and liabilities succeeded through mergers ・Nagaoka Pharmaceutical Assets and liabilities succeeded to from Nagaoka Pharmaceutical Co., Ltd., which merged with the Company's consolidated subsidiary, Honma Toho Co., Ltd., during the consolidated fiscal year, are as follows: (million yen) Current assets 748 Fixed assets 268 Total assets 1,017 Current liabilities 456 Fixed liabilities 15 Total liabilities 472 ②Breakdown of assets and liabilities acquired through stock exchanges ・OMWELL 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 14,031 million yen. (million yen) Current assets 33,357 Fixed assets 6,080 Total assets 39,437 Current liabilities 22,231 Fixed liabilities 1,309 Total liabilities 23,541

Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
	・Asucome 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 149 million yen. (million yen) Current assets 20,647 Fixed assets 13,711 Total assets 34,358 Current liabilities 25,700 Fixed liabilities 5,839 Total liabilities 31,540 ・Seiko Pharmacy 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 155 million yen. (million yen) Fixed assets 620 ・Himawari Pharmacy 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 58 million yen. (million yen) Fixed assets 232 ・Medicalbrain 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 78 million yen. (million yen) Fixed assets 541 ③The amounts of assets and liabilities related to finance leases newly accounted for in the current term were 418 million yen.

(Segmental Information)

1. Segmental Information according to Types of Business

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 profit (loss)						
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(loss)	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 2009 (million yen)	Major operations
Operating expenses non-allocatable, included in eliminations or corporate	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	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

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 577 million yen, 17 million yen and 2 million yen, respectively.

The impact on income as a result of this change was insignificant.

Fiscal 2010 (from April 1, 2009 to March 31, 2010)

	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	CRO and SMO (million yen)	Other Operations (million yen)	Total (million yen)	Eliminations or corporate (million yen)	Consolidated (million yen)
I. Net sales and Operating profit (loss)							
Net Sales							
(1) Net sales to external customers	946,872	54,316	474	458	1,002,122	—	1,002,122
(2) Inter-segment internal net sales or transfers	25,610	12	—	191	25,814	(25,814)	—
Total	972,482	54,329	474	649	1,027,936	(25,814)	1,002,122
Operating expense	963,775	51,908	477	735	1,016,896	(25,714)	991,182
Operating income(loss)	8,706	2,420	-2	-85	11,039	(99)	10,939
II. Assets, depreciation and amortization, impairment loss, and capital expenditure							
Assets	436,127	35,634	828	3,797	476,388	13,064	489,452
Depreciation and amortization	1,025	347	6	89	1,469	986	2,455
Impairment loss	109	7	—	—	117	—	117
Capital expenditure	2,723	561	3	14	3,302	27	3,330

(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
   - (4) Other Operations..................... Manufacturing and sales of information processing devices

3. Previously, segmental information according to the type of business consisted of three segments, “Pharmaceutical Wholesaling”, “Dispensing Pharmacy” and “CRO and SMO”. However, operations conducted by ALF, which has become a consolidated subsidiary from the fiscal year ended March 2010, fall under a new type, creating a fourth segment, “Other Operations”.

4. Among assets, Companywide assets included in “Eliminations or Corporate” (20,550 million yen) consist mainly of surplus management funds (cash and deposits) and long-term investment funds (investment securities) held by the company filing the consolidated financial statements.

5. Depreciation and amortization and capital expenditures include long-term prepaid expenses and their amortization.

2. Segmental Information according to Geographical Locations

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.

Fiscal 2010 (from April 1, 2009 to March 31, 2010)

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

3. Overseas Sales

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

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

Fiscal 2010 (from April 1, 2009 to March 31, 2010)

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

(Notes to Leases Transactions)

Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
Finance lease transactions not involving the transfer of ownership commencing on or before March 31, 2008	Finance lease transactions not involving the transfer of ownership commencing on or before March 31, 2008
(1) Leased property's presumed amounts corresponding to acquisition cost, accumulated depreciation, and balance at the end of the fiscal year:	(1) Leased property's presumed amounts corresponding to acquisition cost, accumulated depreciation, and balance at the end of the fiscal year:

Fiscal 2009:

	Presumed acquisition cost (million yen)	Presumed accumulated depreciation (million yen)	Presumed balance at year-end (million yen)
Vehicles and carriers	54	35	18
Equipment and fixtures	6,608	3,894	2,714
Intangible fixed assets (software)	62	31	30
Total	6,725	3,961	2,763

Fiscal 2010:

	Presumed acquisition cost (million yen)	Presumed accumulated depreciation (million yen)	Presumed balance at year-end (million yen)
Vehicles and carriers	71	50	21
Equipment and fixtures	6,955	4,674	2,281
Intangible fixed assets (software)	62	43	19
Total	7,089	4,767	2,321

Fiscal 2009	Fiscal 2010
(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	(2) Presumed year-end balance of unaccrued lease payments and others: Presumed year-end balance of unaccrued lease payments Within one year 993 million yen One year or more 1,413 million yen Total 2,407 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	(3) Lease payments, transfer of impairment losses on lease assets, presumed depreciation, presumed interest expense, and impairment loss: Lease payment 1,104 million yen Presumed depreciation 1,038 million yen Presumed interest expense 61 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.	(4) Method of calculating presumed depreciation Same as in left column.
(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.	(5) Method of calculating presumed interest expense Same as in left column.
(Impairment loss) No impairment loss attributable to lease assets was recognized.	(Impairment loss) Same as in left column.

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

(Additional Information)
The "Accounting Standards for Related Party Disclosures" (ASBJ; ASBJ Statement, No. 11) and the "Guidance on Accounting Standards for Related Party Disclosures" (ASBJ; ASBJ Guidance No. 13) published on October 17, 2006, have been applied from the consolidated fiscal year ended March 2010.
Consequently, in addition to previously disclosed information, information on "transactions between the company that submitted consolidated financial statements ("Company") and related parties" is also provided.

Transactions with Relate Parties

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

(a) Company's Non-Consolidated Subsidiaries and Affiliates

Attribute	Name of company or other	Address	Capital or stock or cash investment (million yen)	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	(Ownership) Direct 35.0 (Under control) Direct 0.1	Supplied by the Company with pharmaceuticals Director shared	Sales transactions (Note)	16,351	Trade receivable	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 (million yen)	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 0.0	—	Sales of pharma-ceuticals to Shouei (Note 1)	41,349	Trade receiv-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	(Ownership) —	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.

(2) Transactions between the company that submitted consolidated financial statements ("Company") and related parties

Company's directors and principal shareholders limited to individuals

Attribute	Name of company or other	Address	Capital or stock or cash investment (million yen)	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	(Ownership) —	A consolidated subsidiary sold pharmaceuticals.	Sales Transaction (Note 1)	750	Trade receiv-ables	214
Directors 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	(Ownership) —	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.

Fiscal 2010 (From April 1, 2009 to March 31, 2010)

Transactions with Relate Parties

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 (million yen)	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	(Ownership) Direct 35.0 (Under control) Direct 0.1	Supplied by the Company with pharmaceuticals Director shared	Sales transactions (Note)	16,304	Trade recei vable	5,819

(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 (million yen)	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 of subsidiary	Muchio Nakasato	—	—	Director of Toho Pharmaceutical Representa-tive director of Shouei	(Under control) Direct ownership 0.0	—	A consolidated subsidiary sold Pharmaceuticals to Shouei (Note 1)	42,705	Trade receiv-ables	14,519
Director of subsidiary and close relatives' ownership of voting rights exceeds 50% based on their own estimate	Kanto Iryo Service Co., Ltd.	Tsuchiura City, Ibaraki	10	Dispensing pharmacy	(Ownership) —	A consolidated subsidiary sold Pharmaceuticals	Sales Transaction (Note 2) Guaranty of liabilities (Note3)	806 26	Trade receiv-ables	176
Director of subsidiary and close relatives' ownership of voting rights exceeds 50% based on their own estimate	Round Limited Company	Takasaki City, Gunma	3	Dispensing pharmacy	(Ownership) —	A consolidated subsidiary sold Pharmaceuticals	Sales Transaction (Note 2)	242	Trade receiv-ables	34

(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. The consolidated subsidiary has provided a bank loan guaranty.

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

(Notes to Tax Effect Accounting)

Fiscal 2009 (March 31, 2009)		Fiscal 2010 (March 31, 2010)	
(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	135	Accrued expenses	159
Enterprise tax payable	75	Enterprise tax payable	416
Accrued bonuses	1,037	Accrued bonuses	1,273
Loss carried forward for tax purposes	373	Loss carried forward for tax purposes	83
Other	441	Other	1,081
Total	2,062	Total	3,013
Valuation reserve	-60	Valuation reserve	-957
Subtotal	2,002	Subtotal	2,055
Deferred tax assets (fixed assets)		Deferred tax assets (fixed assets)	
Allowance for doubtful receivables	1,056	Allowance for doubtful receivables	868
Investment securities	399	Investment securities	449
Accrued retirement benefits for employees	799	Accrued retirement benefits for employees	1,809
Other long-term liabilities	647	Other long-term liabilities	605
Impairment loss	687	Impairment loss	1,614
Loss carried forward for tax purposes	1,560	Loss carried forward for tax purposes	4,549
Other	310	Other	916
Total	5,461	Total	10,813
Valuation reserve	-4,063	Valuation reserve	-9,060
Subtotal	1,397	Subtotal	1,752
Total deferred tax assets	3,400	Total deferred tax assets	3,807
Deferred tax liabilities(long-term liabilities)		Deferred tax liabilities (short-term liabilities)	
Reserve for reduction entry of land	-797	Income tax refunds receivable	-5
Land and other revaluation difference due to capital consolidation of subsidiaries	-5,944	Sub total	-5
Revaluation difference on available-for-sale securities	-1,578	Deferred tax liabilities (long-term liabilities)	
Other	-191	Deferred capital gains on land	-829
Total deferred tax liabilities	-8,511	Land and other revaluation difference due to capital consolidation of subsidiaries	-7,872
Net deferred tax liabilities	-5,111	Revaluation difference on available-for-sale securities	-2,854
		Other	-210
		Sub total	-11,767
		Total deferred tax liabilities	-11,772
		Net deferred tax liabilities	-7,964
(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.		The description was omitted, since the difference between the statutory effective tax rate and the income tax and other burden rates after the application of tax effect accounting is 5% of the statutory effective tax rate or lower.	

(Notes on Financial Instruments)
FY2010 (From April 1, 2009 to March 31, 2009)

(Additional information)
The “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10; March 10, 2008) and the “Guidance on Disclosures about the Fair Value of Financial instruments” (ASBJ Guidance No. 19; March 10, 2008) have been applied from the consolidated fiscal year ended March 31, 2010.

1. Status of Financial Instruments
(1) Policy on financial instruments
The Group’s fund management is limited to highly secure financial instruments such as time deposits. Furthermore, the Group intends to raise funds chiefly through bank loans. The use of derivatives is only for the purpose of averting the risk of fluctuating interest rates on loans, and never for speculative purposes.

(2) Composition of financial instruments, their related risks and the risk management system
Notes and accounts receivable, of operating receivables, are exposed to customer credit risks. To deal with these risks, the Group has established a management system, under which it manages due dates and balances by customer in accordance with the Group’s regulations on the management of such receivables and examines the creditworthiness of major customers whenever the need arises.
Investment securities are mainly the shares of corporations with which the Group has business relationships. Although they are exposed to the risk of market price fluctuations, the Company’s financial department manages it by regularly monitoring the fair value of such shares.
Notes and accounts payable, of operating payables, are mostly those due within one year. Short-term loans payable are mainly for the purpose of fundraising for operating transactions, while long-term debts are chiefly to finance capital investment. Loans with floating interest rates are exposed to the risk of interest rate fluctuations. Nevertheless, for some long-term debts with floating interest rates, the Group has used derivatives (interest rate swaps) on an individual contract basis to hedge against the risk of interest payment fluctuations and to fix interest costs. With regard to the method used to assess hedge effectiveness, the judgment that our interest rate swaps properly meet the requirements of the special treatment for interest rate swaps has led to us omitting a description of the assessment of the effectiveness.
While the Company’s financial department is responsible for the execution and management of derivative transactions, their execution, together with loans subject to the hedge, requires prior Company authorization in accordance with its internal regulations. When using derivatives, the Group trades only with financial institutions with a high credit rating in order to alleviate the effects of accompanying credit risk.
In addition, the Group manages liquidity risk, to which operating payables and loans are exposed, by such measures as the monthly preparation of a financial plan in each of its group companies.

(3) Supplementary information on the fair value of financial instruments
The contract amount, etc., of derivative transactions described in “2. Fair Value of Financial Instruments” do not reflect the market risks accompanying the derivative transactions.

2. Fair Value of Financial Instruments

The table below shows the consolidated balance sheet value, the fair value and the difference between the two as of March 31, 2010. Financial instruments, for which the fair value is deemed to be extremely difficult to determine, are not included in the table. (Reference: Note2)

(Unit : million yen)

	Consolidated balance sheet value	Fair value	Difference
(1) Cash and deposits	27,194	27,194	—
(2) Notes and accounts receivable-trade	251,465	251,465	—
(3) Purchase rebates receivable	13,490	13,490	—
(4) Marketable Securities and Investment Securities			—
Held-to maturity bonds	398	391	-6
Other securities	16,969	16,969	—
(5) Notes and accounts payable-trade	312,833	312,833	—
(6) Long-term loans payable	24,743	24,780	36
(7) Derivative trades	—	—	—

(Note1) Methods of calculating the fair value of financial instruments and matters related to marketable securities and derivative transactions

(1) Cash and deposits; (2) Notes and accounts receivable-trade; and (3) Purchase rebates receivable: Since these are settled in a short period of time and their fair value is nearly identical to their book value, the book value is used.

(4) Marketable securities and Investment securities

With regard to these financial instruments, the fair value of stocks is based on the prices on the stock exchange, while that of bonds is based on either bond market prices or the prices presented by the relevant financial institutions with which we have traded the bonds. Meanwhile, since money management funds are settled in a short period of time and their fair value is nearly identical to their book value, the book value is used.

For information on marketable securities according to the purpose of holding them, refer to "Notes on Marketable Securities".

(5) Notes and accounts payable-trade

Since these are settled in a short period of time and their fair value is nearly identical to their book value, the book value is used.

(6) Long-term loans payable

The fair value of long-term loans payable is calculated by discounting the total amount of the principal and interest by a rate assumed to be applied when a new, similar loan arrangement would be made.

Long-term debts with floating interest rates are subject to the special treatment for interest rate swaps (see Notes on Derivatives Transactions). Their fair value is calculated by discounting the total amount of the principal and interest accounted for as a single item with the relevant interest rate swap by a rate reasonably assumed to be applied when a new, similar loan arrangement would be made.

(7) Derivative financial instruments
Refer to “Notes on Derivatives Transactions”.

(Note2) Financial instruments whose fair value is considered to be extremely difficult to determine
(Unit: million yen)

Item	amounts
Unlisted stocks	21,721

The fair value of these stocks is considered to be extremely difficult to calculate because there are neither market prices nor valuations of future cash flows. Accordingly, they are not included in “(4) Marketable Securities and Investment Securities”.
(Note) 1. Stocks with no available fair market value at the end of fiscal 2010 are adjusted for impairments of 84 million yen.
2. Unless evidence is found showing that the effective value of the stock may match its 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.

(Note3) The amount of monetary claims and securities with maturity to be redeemed after the consolidated closing date
(Unit: million yen)

	Due within 1 year	Due beyond 1 year and within 5 years	Due beyond 5 years and within 10 years	Due beyond 10 years
Cash and deposits	27,194	—	—	—
Notes and accounts receivable-trade	251,465	—	—	—
Purchase rebates receivable	13,490	—	—	—
Marketable securities and investment securities				
Held-to-maturity bonds	1,598	10	300	—
Other securities	—	675	—	139

(Note4) The amount of monetary liabilities to be repaid after the consolidated closing date
(Unit: million yen)

	Due within 1 year	Due beyond 1 year and within 5 years	Due beyond 5 years and within 10 years	Due beyond 10 years
Notes and accounts payable-trade	312,833	—	—	—
Long-term loans payable	4,531	19,400	809	1

(Notes to Marketable Securities)
FY2009 (From April 1, 2008 to March 31, 2009)
1. Held-to-maturity bonds with available fair market values

	Type	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	800	779	-20
	(3) Others	—	—	—
	Subtotal	800	779	-20
Total		800	779	-20

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

	Type	Acquisition cost (million yen)	Consolidated balance sheet value (million yen)	Difference (million yen)
Consolidated balance sheet value exceeding acquisition cost	(1) Stocks	4,792	9,569	4,777
	(2) Bonds			
	Government and municipal bonds	—	—	—
	Corporate bonds	—	—	—
	Others	—	—	—
	(3) Others	—	—	—
	Subtotal	4,792	9,569	4,777
Consolidated balance sheet value not exceeding acquisition cost	(1) Stocks	3,444	2,625	△818
	(2) Bonds			
	Government and municipal bonds	—	—	—
	Corporate bonds	—	—	—
	Others	—	—	—
	(3) Others	43	24	-18
	Subtotal	3,487	2,650	-837
Total		8,280	12,219	3,939

(Note) 1. Acquisition costs at the end of fiscal 2009 are adjusted for impairments of 179 million yen.
2. 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 2009 (From April 1, 2008 to March 31, 2009)
Amount sold (million yen)	585
Total gains on sales (million yen)	275
Total losses on sales (million yen)	10

4. Major securities instruments with no available fair market value

	Fiscal 2009 (March 31, 2009)
	Consolidated balance sheet value (million yen)
Available-for-sale securities	
Unlisted stocks	10,353
Unlisted bonds	687
Money management funds	500
Total	11,542

(Notes) 1. Stocks with no available fair market value at the end of fiscal 2009 are adjusted for impairments of 356 million yen.

2. 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 2009(March 31, 2009)			
	Due within 1 year (million yen)	Due beyond 1 year and within 5 years (million yen)	Due beyond 5 years and within 10 years (million yen)	Due beyond 10 years (million yen)
(1) Stocks				
Bonds	—	—	—	—
Government and municipal bonds Corporate bonds	—	1,187	—	300
Others	—	—	—	—
(2) Others	—	16	—	—
Total	—	1,203	—	300

FY2010 (From April 1, 2009 to March 31, 2010)

1. Held-to-maturity bonds (As of March 31, 2010)

	Type	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	98	100	1
	(3) Others	—	—	—
	Subtotal	98	100	1
Market value not exceeding consolidated balance sheet value	(1) Government and municipal bonds	—	—	—
	(2) Corporate bonds	300	291	-8
	(3) Others	—	—	—
	Subtotal	300	291	-8
Total		398	391	-6

2. Available-for-sale securities (As of March 31, 2010)

	Type	Acquisition cost (million yen)	consolidated balance sheet value (million yen)	Difference (million yen)
Consolidated balance sheet value exceeding acquisition cost	(1) Stocks	5,646	13,465	7,818
	(2) Bonds			
	Government and municipal bonds	—	—	—
	Corporate bonds	—	—	—
	Others	—	—	—
	(3) Others	0	0	0
	Subtotal	5,647	13,466	7,818
Consolidated balance sheet value not exceeding acquisition cost	(1) Stocks	3,517	2,830	-686
	(2) Bonds			
	Government and municipal bonds	—	—	—
	Corporate bonds	—	—	—
	Others	—	—	—
	(3) Others	743	673	-70
	Subtotal	4,261	3,503	-757
Total		9,908	16,969	7,061

(Note) 1.Acquisition costs at the end of fiscal 2010 are adjusted for impairments of 1 million yen.

2.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 2010 (From April 1, 2009 to March 31, 2010)

	Amount sold (million yen)	Total gains on sales (million yen)	Total losses on sales (million yen)
Stocks	0	0	0
Bonds	—	—	—
Others	—	—	—
Total	0	0	0

(Notes to Derivatives Transactions)
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).

Fiscal 2010 (from April 1, 2009 to March 31, 2010)

1. Derivatives Transactions to Which Hedge Accounting Does not Apply
Not applicable.

2. Derivatives Transactions to Which Hedge Accounting Applies

(Unit: million yen)

Method of hedge accounting	Type of derivatives transaction	Major hedged items	Contract amount, etc.		Market value
				More than one year	
Special treatment for interest rate swaps	Fixed for floating swap	Long-term debt	11,960	9,310	(＊)

（＊）As interest rate swaps subject to the special treatment for interest rate swaps are accounted for as a single item with underlying long-term debt, which are hedged items, their market values are included in those of long-term debt.

(Notes to Retirement Benefits)

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)

3.0%

(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	-2,719
b. Pension plan assets	578
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 2010 (March 31, 2010)

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.
   ・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, 2009)
Pension assets	641,485
Benefit obligations in pension finances	1,029,394
Difference	-387,908

(2) Ratio of premium contributions of the Group to all premium contributions in the entire system
(Mainly the contribution for March 2010)

7.2%

(3) Supplementary information
The major factors in the pension finance accounting causing the difference in item (1) above are: outstanding past service liabilities of 90,140 million yen; a shortfall for the fiscal year of 238,031 million yen; a shortfall in the amount brought forward of 23,950 million yen; and adjustment for the revaluation of asset values of 37,292 million yen.
Amortization of past service liabilities under the system is 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, 2010)	(million yen)
a. Retirement benefit liability	-7,377
b. Pension plan assets	2,690
c. Unfunded retirement benefit liability (a + b)	-4,686
d. Unrecognized actuarial difference	102
e. Unrecognized past service cost (reduced liability)	—
f. Consolidated Balance Sheet net total (c + d + e)	-4,583
g. Prepaid pension expenses	—
h. Accrued retirement benefits (f - g)	-4,583

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

Fiscal 2009 (March 31, 2009)	Fiscal 2010 (March 31, 2010)

Fiscal 2009 (March 31, 2009)

3. Retirement benefit expenses

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

	(Million yen)
a. Service cost	1,080
b. Interest cost	42
c. Expected rate of return (subtractive)	-8
d. Amortization of actuarial difference	22
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 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%
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.)

Fiscal 2010 (March 31, 2010)

3. Retirement benefit expenses

(From April 1, 2009 to March 31, 2010)

	(Million yen)
a. Service cost	1,274
b. Interest cost	61
c. Expected rate of return (subtractive)	-13
d. Amortization of actuarial difference	22
e. Amortization of past service cost	―
f. Retirement benefit expenses (a + b + c + d + e)	1,344
g. Loss (profit) due to switchover to defined contributory pension program	―
h. Extraordinary premium retirement allowance	―
i. Contributions to defined contributory pension program	910
Total	2,255

(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 1,002 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	1.9%, 2.0%
c. Expected return on investment	1.0%, 2.0%
d. Number of years for recognition of past service cost	―
e. Number of years for recognition of actuarial difference	7years, 10years

(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 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 Stock Options)

Fiscal 2010 (From April 1, 2009 to March 31, 2010)

1. Recorded cost and account item in this consolidated fiscal year
   No cost was recorded during the consolidated fiscal year ended March 2010.

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)	—
Granted (shares)	—
Lapsed (shares)	—
Proper allotment (shares)	—
Pending balance (shares)	—
After expiration date	
At beginning of the term (shares)	150,000
Proper allotment (shares)	—
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 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 Co., Ltd.
   (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 Yakuhin Co., Ltd. Pharmaceutical wholesaling

(2) Main reason for business combination

The Company intended to further enhance the relationship with Sue Yakuhin 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 Co., Ltd.

(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 Yakuhin 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 Yakuhin, 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 Yakuhin from April 1, 2008 to March 31, 2009, the elimination of internal transactions and 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 Co., Ltd. Pharmaceutical wholesaling

(2) Legal form of business combination

Stock swapping

(3) Corporate name after business combination

Toho Pharmaceutical Co., Ltd.

(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 case above has been treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (Business Accounting Council; published on October 31, 2003) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10; published on November 15, 2007).

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 Co., Ltd.   Pharmaceutical wholesaling

(2) Legal form of business combination

Stock swapping

(3) Corporate name after business combination

Toho Pharmaceutical Co., Ltd.

(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 case above has been treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (Business Accounting Council; published on October 31, 2003) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10; published on November 15, 2007).

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 Inc 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 Co., Ltd.

(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 case above has been treated as a transaction under common control in accordance with the “Accounting Standard for Business Combinations” (Business Accounting Council; published on October 31, 2003) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10; published on November 15, 2007).

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.

Fiscal 2010 (From April 1, 2009 to March 31, 2010)

(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
   Fuji Family Pharmacy (change the company name to Pharma Square Co., Ltd.) Operation of dispensing pharmacies
   (2) Main reason for business combination
   The Company conducted the business execution in order to expand dispensing pharmacy business.
   (3) Date of business combination
   April 21, 2009
   (4) Legal form of business combination
   Acquisition
   (5) Corporate name after business combination
   Toho Holdings Co., Ltd.
   (6) Ratio of acquired voting rights
   100%
2. Period of business performance of acquired company included in the consolidated financial statements
   From April 1, 2009 to March 31, 2010
3. Acquisition costs for acquired company and their breakdown

Acquisition price	
Exercise of collateral rights	3,100 million yen
Cash	1,186 million yen
Payment directly required for the acquisition	
Company assessment fee	3 million yen
Acquisition costs	4,289 million yen

4. Amount, cause, amortization method and amortization period of accrued goodwill or negative goodwill
   (1) Value of goodwill 5,588 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	1,404 million yen
Accounts receivable	1,842 million yen
Inventories	598 million yen
Others	1,240 million yen
Total	5,085 million yen

   (2) Liabilities

Accounts payable	2,344 million yen
Debt	2,493 million yen
Others	1,546 million yen
Total	6,385 million yen

6. 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.
7. Of the acquisition cost, the amount that was appropriated for R&D expenses and its account
   Not applicable.
8. 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
   The business combination does not affect the consolidated statements of income for this term because the acquired company was already consolidated at the beginning of the term.

・ 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

   OMWELL Inc　　Pharmaceutical wholesaling

   (2) Main reason for business combination

   The Company aimed to further boost its marketing capacity and maximize the Group's corporate value by proactively utilizing managerial resources as a group while maintaining OMWELL's community-based operating base.

   (3) Date of business combination

   October 1, 2009

   (4) Legal form of business combination

   Stock swapping

   (5) Corporate name after business combination

   Toho Holdings Co., Ltd.

   (6) Ratio of acquired voting rights

   100.0%

2. Period of business performance of acquired company included in the consolidated financial statements

   From October 1, 2009 to December 31, 2009

3. Acquisition costs for acquired company and their breakdown

Acquisition price	
Stocks of Toho Holdings	14,031million yen
Payment directly required for the acquisition	
Calculation agent fee	39 million yen
Acquisition costs	14,070million 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 Holdings 1 : OMWELL 40

   (2) Calculation method for exchange ratio

   TOHO HOLDINGS and OMWELL decided the exchange ratio through consultations with each other based on reports on the stock swap ratio calculation that were prepared by third-party institutions and employed the comparable peer company analysis method and the DCF method to evaluate OMWELL's stocks while applying the average market price method, the comparable peer company analysis method and the DCF method to the calculation of the stock values of TOHO HOLDINGS.

   (3) Number of exchanged stocks and evaluation value

   13,815,880 stocks　　14,031 million yen

5. Amount, cause, amortization method and amortization period of accrued goodwill or negative goodwill

   (1) Value of negative goodwill　　1,826 million 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	5,703 million yen
Accounts receivable	16,326 million yen
Investments in securities	3,398 million yen
Inventories	4,626 million yen
Others	9,383 million yen
Total	39,437 million yen

   (2) Liabilities

Accounts payable	20,054 million yen
Others	3,487 million yen
Total	23,541 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	29,037 million yen
Operating income	129 million yen
Ordinary income	632 million yen
Income before income taxes	755 million yen
Current net income	544 million yen
Current net income per share	8.29 yen

(Method and important assumptions used for calculating estimated amounts)

Sales and income of OMWELL from April 1, 2009 to December 31, 2009, the elimination of internal transactions and the amortization of negative goodwill were tallied. Adjustment for integration of the accounting policies derived from the business combination was included in the profit/loss of OMWELL.

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

ASUCOME Co., Ltd. Pharmaceutical wholesaling

(2) Main reason for business combination

The Company aimed to further boost its marketing capacity and maximize the Group's corporate value through the efficient use of managerial resources at Asucome's operating base.

(3) Date of business combination

February 1, 2010

(4) Legal form of business combination

Stock swapping

(5) Corporate name after business combination

Toho Holdings Co., Ltd.

(6) Ratio of acquired voting rights

100.0%

2. Period of business performance of acquired company included in the interim consolidated financial statements

From February 1, 2010 to March 31, 2010

3. Acquisition costs for acquired company and their breakdown

Acquisition price	
Stocks of Toho Holdings	1,052million yen
Payment directly required for the acquisition	
Calculation agent fee	40million yen
Acquisition costs	1,092million 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 Holdings 1 : ASUCOME 1.239

(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 similar company comparison methods are used for the valuation of ASUCOME, and the average market price method was used for the valuation of Toho Holdings.

(3) Number of exchanged stocks and evaluation value

863,444 stocks 1,052 million yen

5. Amount, cause, amortization method and amortization period of accrued goodwill or negative goodwill

(1) Value of negative goodwill 1,726 million 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	1,657 million yen
Accounts receivable	13,264 million yen
Investments in securities	4,627 million yen
Land	4,061million yen
Inventories	5,693 million yen
Others	5,054 million yen
Total	34,358 million yen

(2) Liabilities

Accounts payable	20,532 million yen
Debt	6,481million yen
Others	4,526 million yen
Total	31,540 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	10,485million yen
Operating loss	210million yen
Ordinary income	133million yen
Income before income taxes	141million yen
Current net income	190million yen
Current net income per share	2.90 yen

(Method and important assumptions used for calculating estimated amounts)

Sales and income of ASUCOME from April 1, 2009 to March 31, 2010, the elimination of internal transactions and the amortization of negative goodwill were tallied. Adjustment for the integration of accounting policies derived from the business combination was not included in the profit/loss of Asucome.

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

OMWELL Inc Pharmaceutical wholesaling

(2) Legal form of business combination

Merger with SANUS, which was a surviving company

(3) Corporate name after business combination

SAYWELL Inc

(4) Purpose and outline of stock swap

In order to boost the Group’s competitiveness through the efficient use of managerial resources in the Chugoku region, the Company merged its consolidated subsidiaries, SANUS Inc. and OMWELL Inc., to form SAYWELL Inc.

2. Outline of conducted account processing

The case above has been treated as a transaction under common control in accordance with the “Accounting Standard for Business Combinations” (Business Accounting Council; published on October 31, 2003) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10; published on November 15, 2007).

(Notes on Rental Property and Other Real Estate)

FY2010 (from April 1, 2009 to March 31, 2010)

(Additional Information)
The “Accounting Standard for Disclosures about the Fair Value of Investment and Rental Property” (ASBJ Statement No. 20; November 28, 2008) and the “Guidance on Accounting Standards for Disclosures about the Fair Value of Investment and Rental Property” (ASBJ Guidance No. 23; November 28, 2008) have been applied from the fiscal year ended March 2010.

The disclosure of notes on rental property and other real estate is omitted because the total value of such properties is insignificant.

(Information per Share)

Fiscal 2009 (From April 1, 2008 to March 31, 2009)		Fiscal 2010 (From April 1, 2009 to March 31, 2010)	
Net asset per share	1,320.76	Net asset per share	1,370.25
Net income per share	-41.73	Net income per share	125.69
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.		Net income per share after adjustments on potential shares	122.83

(Note) Basis of calculation

1. Net Asset per Share

Item	Fiscal 2009 (March 31, 2009)	Fiscal 2010 (March 31, 2010)
Total net asset on consolidated balance sheet (million yen)	77,605	100,838
Net assets related to common stock (million yen)	77,542	100,738
Major components of the difference (million yen)		
Equity warrants	62	62
Minority interest	—	37
Number of shares of outstanding common stock (in units of 1000)	60,766	74,582
Number of treasury shares in common stock (in units of 1000)	2,056	1,063
Number of shares of common stock used in calculating net asset per share (in units of 1000)	58,710	73,518

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

	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
Net income per share		
Net income (million yen)	-2,471	8,263
Amount not related to shareholders of common stock (million yen)	–	–
Net income from common stock (million yen)	-2,471	8,263
Average number of shares outstanding during fiscal year (in units of 1000)	59,230	65,745
Net income per share after adjustments on potential shares		
Adjustment for net income (million yen)	–	4
Increase in number of shares of common stock (in units of 1000)	–	1,566
(Including convertible bonds with subscription rights to shares)	–	1,566
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)	Same as in left column.

(Note) Because the description of the net income per share after adjustments on potential shares for the previous consolidated fiscal year is omitted, the description of the basis for the calculation is also omitted.

(Significant Subsequent Events)

Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
(Conclusion of a Stock Swap Agreement with OMWELL Inc.) The Company's Board of Directors resolved at its meeting held on May 21, 2009, to implement a stock swap with OMWELL Inc. ("OMWELL " hereinafter) to make it a wholly-owned subsidiary with the Company a wholly owning parent company ("the stock swap" hereinafter), based on which the Company entered into a stock swap agreement with OMWELL. 1. Purpose behind establishing the wholly owned subsidiary through a stock swap The Kyoso Mirai Group, a distribution firm group of pharmaceutical products, is working toward maximizing its group synergy by positively applying all managerial resources of the Group under the corporate slogan "Total Commitment to Good Health." Toho Holdings Co., Ltd. is the core company of the Kyoso Mirai Group. OMWELL Inc. is a pharmaceutical wholesaler that trades in all prefectures of the Chugoku region. This company became a member of the Kyoso Mirai Group in May 2004, following a business alliance. OMWELL Inc. is also a member of the "HEREON Inc." established by nine companies in the same trade, including Toho Holdings, in November 2005, and both companies have so far developed mutual cooperation through the business alliance. Toho Holdings has decided to adopt a holding company structure to respond promptly and flexibly to the dramatic changes in the business environment, aiming to bolster the corporate value of the Group. With OMWELL's approval for our policy above and to be a member of our Group, both companies consider that they would be able to enhance their marketing and sales further and maximize the Group's corporate value by positively utilizing managerial resources as a group while maintaining OMWELL's community-based business bases. Consequently, both companies agreed to implement the stock swap. Toho Holdings intends to pursue synergy mainly in the fields of purchase, physical distribution, and marketing through a business merger between both companies. 2. Overview of stock swap (1) Schedule of stock swap BOD to resolve the commencement of consultations toward a business merger between Toho Holdings and OMWELL: January 6, 2009 BOD to approve the conclusion of the stock swap agreement: May 21, 2009 Conclusion of the agreement regarding the stock swap: May 21, 2009 Shareholders' meeting to approve the stock swap: June 26, 2009 Stock swap date (proposed effective date) : October 1, 2009 (planned) (2) Stock swap ratio The number of new common stocks that the Company will issue for the stock swap is 13,815,880. Toho Holdings will allocate and issue 40 common stocks to 1 common stock of OMWELL. The number of new shares to be issued for the stock swap was calculated based on the number of OMWELL's common stocks of 345,397 shares, which was arrived at by deducting the number of OMWELL's treasury shares (33,343 as of May 21, 2009), all of which it intends to retire by the effective date of the stock swap, from its outstanding shares.	―――

Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
(3) Grounds for calculating the stock swap rate ① Basis and Background of the calculation To secure the fairness in the calculation of the stock swap ratio to be applied to the stock swap, the Company and OMWELL asked Nomura Securities Co., Ltd. and Nikko Cordial Securities Inc to calculate their respective stock swap ratios. The Company and OMWELL decided the exchange ratio through consultations with each other based on the results of the calculation, which employed the average market price method, the comparable peer company analysis method and the DCF method, to evaluate the Company's stocks, while applying the comparable peer company analysis method and the DCF method to evaluate that of OMWELL ② Relationship with the calculation agents Calculation agents of Nomura Securities and Nikko Cordial Securities are not related parties of Toho Holdings Co., Ltd. and OMWELL Inc. (4) Share warrant and corporate bonds with share warrant of the wholly owned subsidiary established through the stock swap There are no applicable items. 3. Main business contents and the scale of the business of OMWELL (1) Main business contents Pharmaceutical wholesaling (2) Net sales, Net income of FY2009(April 1, 2008～March 31, 2009) Net sales 73,509 million yen Net income 498 million yen (3) Total assets, Net assets, Common stocks and employees of FY2009（As of March 31, 2009） Total assets 39,742 million yen Net assets 15,790 million yen Common stocks 75 million yen Employees 429	―――――
（New consolidated company） 1. Outline The Company exercised rights of chattel mortgage to FujiBiomedix Co., Ltd. for shares of Fuji Family Pharmacy Co.,Ltd. on October 14, 2008. Fuji Family Pharmacy became theCompany'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 81 pharmacies (March 31, 2009)	―――――

5. Non-consolidated Financial Statements

(1) Balance Sheets

(Unit: million yen)

	Fiscal 2009 (As of March 31, 2009)	Fiscal 2010 (As of March 31, 2010)
Assets		
Current assets		
Cash on hand and on deposit	*1 7,500	*1 2,727
Notes receivable	1,277	—
Accounts receivable	*4 227,342	69
Products	36,228	—
Prepaid expenses	34	10
Deferred tax assets	996	140
Purchase rebates receivable	11,392	—
Other accounts receivable	7,197	1,310
Short-term loans receivable	*4 8,333	*4 24,797
Others	141	9
Allowance for doubtful receivables	-140	-6
Total current assets	300,304	29,058
Fixed assets		
Property, plant and equipment		
Buildings	*1, *2 9,057	*1, *2 8,548
Structures	*2 234	*2 205
Vehicles and carriers	*2 2	—
Equipment and fixtures	*2 449	*2 6
Land	*1,*5 13,693	*1,*5 15,218
Lease assets	*2 244	—
Construction in progress	—	39
Total property, plant and equipment	23,681	24,019
Intangible fixed assets		
Leaseholds	145	145
Software	1,607	502
Others	248	—
Total intangible fixed assets	2,001	647
Investments and other assets		
Investments in securities	*1 10,070	*1 10,260
Equity shares in associated companies	38,173	17,328
Investment in capital	40	—
Investment in affiliates	505	—
Long-term loans receivable	377	2,654
Long-term loans receivable to associated companies	462	—
Claims in bankruptcy and rehabilitation	1,323	1,813
Long-term prepaid expenses	90	0
Others	2,878	824
Allowance for doubtful receivables	-1,365	-1,213
Total investments and other assets	52,526	31,667
Total fixed assets	78,209	56,334
Total assets	378,513	85,393

(Unit: million yen)

	Fiscal 2009 (As of March 31, 2009)	Fiscal 2010 (As of March 31, 2010)
Liabilities		
Current liabilities		
Notes payable	*1 553	—
Accounts payable	*1 275,212	—
Short-term loans payable	*1 70	*1 *6 900
Current portion of bonds	6,069	—
Current portion of long-term debt	*1 533	*1 3,673
Lease obligations	125	—
Accrued amount payable	*4 8,903	446
Accrued expenses	805	21
Income taxes payable	19	—
Deposits payable	*4 11,364	21
Accrued bonuses	1,225	40
Accrued bonuses for directors and corporate auditors	39	24
Reserve for sales returns	167	—
Total current liabilities	305,089	5,126
Long-term liabilities		
Long-term debt	*1 3,566	*1 *6 17,073
Lease obligations	414	—
Deferred tax liabilities	897	1,516
Deferred tax liabilities due to revaluation	*5 1,309	*5 1,308
Accrued retirement benefits for employees	751	5
Other	1,555	914
Total long-term liabilities	8,495	20,819
Total liabilities	313,585	25,946

(Unit: million yen)

	Fiscal 2009 (As of March 31, 2009)	Fiscal 2010 (As of March 31, 2010)
Net assets		
Shareholders' equity		
Common stock	10,649	10,649
Capital surplus		
Legal capital reserve	28,885	42,917
Other capital surplus reserve	1,789	441
Total Capital surplus	30,675	43,358
Retained earnings		
Legal earned reserve	664	664
Other retained earnings		
Unrealized gains on land	1,093	1,084
Contingency reserve	25,433	10,336
Retained earnings brought forward	2,057	-2,339
Total retained earnings	29,248	9,745
Treasury stock	-2,020	-1,099
Total shareholders' equity	68,553	62,654
Unrealized gains on revaluation		
Unrealized gains on available-for-sale securities	861	1,279
Unrealized gains on revaluation of land	*5 -4,549	*5 -4,549
Total unrealized gains on revaluation	-3,688	-3,270
Equity warrants	62	62
Total net assets	64,928	59,447
Total liabilities and net assets	378,513	85,393

(2) Profit and loss statement

(Unit: million yen)

	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
Net sales	*1 806,215	
Operating revenue		
Income of management guidance	—	*1 1,036
Income of real estate rent	—	*1 1,565
Dividends income	—	*1 960
Total Operating revenue	—	3,563
Net sales and operating revenue	806,215	3,563
Cost of sales		
Beginning goods	37,395	—
Cost of purchased goods	774,166	—
Total	811,561	—
Goods transfer to/from other account	*2 98	—
Ending goods	36,228	—
Total Cost of sales	775,234	—
Gross income	30,980	3,563
Reversal of reserve for sales returns	40	
Gross income after reserve for sales returns	31,020	3,563
Selling, general and administrative expenses		
Directors' salaries and employees' salaries and allowances	14,252	—
Provision for accrued bonuses	1,225	—
Provision for directors' bonuses	39	—
Provision for accrued retirement benefits for employees	35	—
Welfare expenses	2,113	—
Vehicle expenses	586	—
Provision for allowance for doubtful receivables	73	—
Depreciation and amortization	1,528	—
Amortization expenses for goodwill	175	—
Rent	2,502	—
Taxes and dues	453	—
Commission fee	3,491	—
Miscellaneous expenses	4,192	—
Total selling, general and administrative expenses	30,669	—

	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
Operating expenses		
Real estate related expenses	—	786
General and administrative expenses		
Directors' compensations and salaries and allowances	—	627
Provision for bonuses	—	40
Provision for directors' bonuses	—	24
Provision for retirement benefits	—	1
Welfare expenses	—	55
Vehicle expenses	—	2
Provision of allowance for doubtful accounts	—	4
Depreciation and amortization	—	430
Rent	—	126
Taxes and dues	—	118
Commission fee	—	239
Miscellaneous expenses	—	219
Total operating expenses		2,676
Total selling, general and administrative expenses and operating expenses	30,669	2,676
Operating income	350	886
Non-operating income		
Interest income	171	314
Dividend income	*1 526	*1 290
Information sales income	1,058	72
Real estate rental income	239	3
Miscellaneous income	576	22
Total non-operating income	*1 2,573	702
Non-operating expenses		
Interest expenses	*1 112	231
Specified line commitment fees	36	40
Provision of allowance for doubtful accounts	29	—
Commission fee	30	—
Miscellaneous losses	17	7
Total non-operating expenses	225	279
Ordinary income	2,698	1,309
Extraordinary gains		
Gains on sales of fixed assets	—	*3 7
Gains on sales of investment securities	170	—
Gains on the receipt of stocks in affiliates	—	31
Total extraordinary gains	170	38

(Unit: million yen)

	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
Extraordinary losses		
Loss on disposal of fixed assets	*4 21	*4 21
Loss on revaluation of investment securities	456	83
Loss on valuation of stocks of subsidiaries and affiliates	5,630	—
Impairment loss	*5 66	*5 20
Provision of allowance for doubtful accounts	867	349
Others	48	18
Total extraordinary losses	7,090	493
Income before income taxes	-4,221	854
Corporate income, inhabitant and enterprise taxes	98	—
Refund of income taxes	—	-36
Adjustments for income taxes	-144	137
Total income taxes and other	-46	101
Current net imcome	-4,174	753

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

(Unit: million yen)

	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
Shareholder's Equity		
Common stock		
Balance at the end of the preceding term	10,599	10,649
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	10,649	10,649
Capital surplus		
Legal capital reserve		
Balance at the end of the preceding term	26,206	28,885
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	49	—
Increase by share exchanges	2,629	14,031
Total changes of items during the period	2,679	14,031
Balance at the end of the current term	28,885	42,917
Other capital surplus		
Balance at the end of the preceding term	583	1,789
Change resulting from a company split	—	-1,789
Changes of items during the period		
Increase by share exchanges	1,205	441
Total changes of items during the period	1,205	441
Balance at the end of the current term	1,789	441
Total capital surplus		
Balance at the end of the preceding term	26,790	30,675
Change resulting from a company split	—	-1,789
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	49	—
Increase by share exchanges	3,835	14,472
Total changes of items during the period	3,885	14,472
Balance at the end of the current term	30,675	43,358
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	1,273	1,093
Changes of items during the period		
Reversal of reserve for reduction entry of land	-179	-9
Total changes of items during the period	-179	-9
Balance at the end of the current term	1,093	1,084

(Unit: million yen)

	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
Contingency reserve		
Balance at the end of the preceding term	25,433	25,433
Change resulting from a company split	—	-15,096
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of the current term	25,433	10,336
Retained earnings brought forward		
Balance at the end of the preceding term	7,159	2,057
Change resulting from a company split	—	-4,103
Changes of items during the period		
Dividends from surplus	-1,041	-1,056
Current net income	-4,174	753
Reversal of reserve for reduction entry of land	179	9
Reversal of revaluation reserve for land	-65	0
Total changes of items during the period	-5,101	-293
Balance at the end of the current term	2,057	-2,339
Total retained earnings		
Balance at the end of the preceding term	34,529	29,248
Change resulting from a company split	—	-19,199
Changes of items during the period		
Dividends from surplus	-1,041	-1,056
Current net income	-4,174	753
Reversal of reserve for reduction entry of land	—	—
Reversal of revaluation reserve for land	-65	0
Total changes of items during the period	-5,280	-303
Balance at the end of the current term	29,248	9,745
Treasury stock		
Balance at the end of the preceding term	-3,461	-2,020
Changes of items during the period		
Own company stock reacquired	-1,963	-1,084
Own company stock disposed	3,404	2,005
Total changes of items during the period	1,441	920
Balance at the end of the current term	-2,020	-1,099
Total shareholder’s equity		
Balance at the end of the preceding term	68,457	68,553
Change resulting from a company split	—	-20,989
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	100	—
Increase by share exchanges	3,835	14,472
Dividends from surplus	-1,041	-1,056
Current net income	-4,174	753
Own company stock reacquired	-1,963	-1,084
Own company stock disposed	3,404	2,005
Reversal of reserve for reduction entry of land	—	—
Reversal of revaluation reserve for land	-65	0
Total Changes of items during the period	96	15,090
Balance at the end of the current term	68,553	62,654

(Unit: million yen)

	Fiscal 2009 (From April 1, 2008 to March 31, 2009)	Fiscal 2010 (From April 1, 2009 to March 31, 2010)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of the preceding term	1,792	861
Change resulting from a company split	—	1
Changes of items during the period		
Net changes of items other than shareholders' equity	-931	417
Total changes of items during the period	-931	417
Balance at the end of the current term	861	1,279
Revaluation reserve for land		
Balance at the end of the preceding term	-4,614	-4,549
Changes of items during the period		
Net changes of items other than shareholders' equity	65	-0
Total changes of items during the period	65	-0
Balance at the end of the current term	-4,549	-4,549
Total valuation and translation adjustments		
Balance at the end of the preceding term	-2,822	-3,688
Change resulting from a company split	—	1
Changes of items during the period		
Net changes of items other than shareholders' equity	-866	417
Total changes of items during the period	-866	417
Balance at the end of the current term	-3,688	-3,270
Equity warrants		
Balance at the end of the preceding term	54	62
Changes of items during the period		
Net changes of items other than shareholders' equity	8	—
Total changes of items during the period	8	—
Balance at the end of the current term	62	62
Total net assets		
Balance at the end of the preceding term	65,690	64,928
Change resulting from a company split	—	-20,988
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	100	—
Increase by share exchanges	3,835	14,472
Dividends from surplus	-1,041	-1,056
Current net income	-4,174	753
Own company stock reacquired	-1,963	-1,084
Own company stock disposed	3,404	2,005
Reversal of reserve for reduction entry of land	—	—
Reversal of revaluation reserve for land	-65	0
Net changes of items other than shareholders' equity	-857	417
Total changes of items during the period	-761	15,507
Balance at the end of the current term	64,928	59,447

(4) [Notes regarding the Going Concern Assumption]
This disclosure is not applicable

(5) Significant Accounting Policies

Item	Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)	Fiscal 2010 (From Apr 1, 2009 to Mar 31, 2010)
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. (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 （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: 3-6 years Equipment and fixtures: 5-15 years	(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 Equipment and fixtures: 5-15 years

Item	Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)	Fiscal 2010 (From Apr 1, 2009 to Mar 31, 2010)
	(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) Finance lease transactions not involving the transfer of ownership were previously accounted for based on the accounting treatment for ordinary rental transactions. However, from the consolidated fiscal year under review, they have started to be accounted for based on methods applicable to ordinary trading transactions in accordance with the “Accounting Standard for Lease Transactions” (ASBJ［Accounting Standards Board of Japan］Statement No. 13［June 17, 1993; First Committee, Business Accounting Deliberation Council; revised on March 30, 2007］) and the “Implementation Guidance on the Accounting Standard for Lease Transactions” (ASBJ Guidance, No 16［January 18, 1994; Accounting System Committee, Japanese Institute of Certified Public Accountants; revised on March 30, 2007］). 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. (4) Long-term prepaid expenses To be amortized in equal amounts.	(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 Same as in left column.

Item	Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)	Fiscal 2010 (From Apr 1, 2009 to Mar 31, 2010)
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.	―――――
	(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) 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 2010 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. Goodwill and negative goodwill	Goodwill is amortized over a period of five years in equal amounts.	―――――
6. 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.

[Additional information]

Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)	Fiscal 2010 (From Apr 1, 2009 to Mar 31, 2010)
―――――	(Booking of new sales/cost of sales items in the profit and loss statement introduced in line with the shift to a holding company system) The Company implemented a company split and shifted to a holding company system on April 1, 2009, with the pharmaceutical wholesaling business and the dispensing pharmacy business management operations taken over by TOHO PHARMACEUTICAL CO., LTD. and PharmaCluster, Co., Ltd., respectively. In line with these moves, "income of management guidance", "income of real estate rent", and "dividends income" received from the companies engaged in these operations from April 1, 2009 onward have started to be newly booked as "operating revenue", with the corresponding expenses booked as "operating expenses".

(6) Notes to Non-consolidated Financial Statements

(Notes to Balance Sheets)

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

Fiscal 2010 (From Apr 1, 2009 to Mar 31, 2010)

*1 Assets pledged as collateral:

Classified assets pledged (million yen)		Corresponding liabilities (million yen)	
Buildings	458	Short-term loans payable and long-term debt (including current portion of long-term debt due within one year)	1,310
Land	1,201		
Total	1,659	Total	1,310

The assets listed below are pledged as collateral for the notes and accounts payable of the Company's subsidiary, TOHO PHARMACEUTICAL CO., LTD.

Time deposits	295 million yen
Building	1,503 million yen
Lands	4,219 million yen
Investment securities	1,262 million yen
Total	7,280 million yen

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

Building	10,952 million yen
Structures	809 million yen
Equipment and fixtures	3 million yen
Total	11,765 million yen

3 Liabilities guaranteed

① Bank loans guaranteed

Asucome	2,500 million yen
Tomonity	1,750 million yen
PharmaCluster	1,750 million yen
Alf	915 million yen
Wakaba	205 million yen
Tokyo Research Center of Clinical Pharmacology	78 million yen
Total	7,199 million yen

② Accounts payable guaranteed

Kyoei yakuhin and 1 other 50 million yen

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

Short-term loans receivable 24,711 million yen

Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)	Fiscal 2010 (From Apr 1, 2009 to Mar 31, 2010)
*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 net asset 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	*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 net asset 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: 1,461 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 2 trading 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	*6 The Company has been lending commitment agreements with 2 trading banks to facilitate efficient procurement of working funds. Lending commitments 4,500 million yen Balance borrowed 4,500 million yen Total remainder ─ million yen In addition, the Company has entered into a lending commitment agreement with one trading bank to facilitate the efficient procurement of general business funds. Lending commitments 1,000 million yen Balance borrowed 900 million yen Total remainder 100 million yen

(Notes to profit and loss)

Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)	Fiscal 2010 (From Apr 1, 2009 to Mar 31, 2010)
*1 Transactions related with associated companies are described below. Net sales to associated companies 349,895 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	*1 Transactions related with associated companies are described below. Income for management guidance from associated companies 1,036 million yen Income for real estate rent from associated companies 1,518 million yen Dividend income from associated companies 960 million yen Interest income to associated companies 280 million 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 7 million yen
*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	*4 Losses on disposal of fixed assets comprise: Loss on retirement of buildings 13 million yen Loss on retirement of vehicles and carriers 0 million yen Loss on sale of buildings 7 million yen Total 21 million yen
*5 Impairment losses The Toho Holdings Group recognized impairment losses on the following asset groups under review.	*5 Impairment losses The Toho Holdings Group recognized impairment losses on the following asset groups under review.

Fiscal 2009:

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.

Fiscal 2010:

Location	Purpose	Class
Former Reagents Kumamoto Office	Real estate for business use	Land

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 20 million yen. It consisted of 20 million yen on land. 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 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 Chozai Center Co., Ltd., and a decrease of 850,000 shares delivered in association with a stock exchange with Ogawa Toho Co., Ltd.

Fiscal 2010 (From Apr 1, 2009 to Mar 31, 2010)

Treasury Stock

Types of stocks	No. of stocks as of end of fiscal 2009 (in thousand stocks)	No. of stocks increased during fiscal 2010 (in thousand stocks)	No. of stocks decreased during fiscal 2010 (in thousand stocks)	No. of stocks as of the end of this term (in thousand stocks)
Common stocks (Note)	2,044	961	1,953	1,052

(Note) 1. The increase in treasury stocks of common stocks by 961,000 stocks consists of an increase of 960,000 reacquired pursuant to a board meeting resolution, and an increase of 1,000 stocks due to the reacquisition of odd stocks.

2. The decrease of 1,953,000 common shares in treasury stock consists of a decrease of 863,000 shares due to the delivery of treasury stocks accompanying a stock exchange with ASUCOME Co., Ltd., a decrease of 471,000 shares due to the delivery of treasury stocks in association with a stock swap with Seiko Co., Ltd., a decrease of 176,000 shares due to the delivery of treasury stocks in association with a stock swap with Himawari Pharmacy Co., Ltd., and a decrease of 443,000 shares delivered in association with a stock exchange with Medical Brain Co., Ltd.

(Notes to Leases Transactions)

<table>
<tr><th>Fiscal 2009
(From Apr 1, 2008 to Mar 31, 2009)</th><th>Fiscal 2010
(From Apr 1, 2009 to Mar 31, 2010)</th></tr>
<tr><td>Finance lease transactions not involving the transfer of ownership commencing on or before March 31, 2008
(1) Leased property’s presumed amounts corresponding to acquisition cost, accumulated depreciation, presumed accumulated impairment loss, 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>Equipment and fixtures</td><td>5,189</td><td>2,932</td><td>2,257</td></tr><tr><td>Intangible fixed assets (software)</td><td>55</td><td>28</td><td>27</td></tr><tr><td>Total</td><td>5,245</td><td>2,960</td><td>2,284</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 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
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.</td><td>———</td></tr>
</table>

(Notes to Marketable Securities)

FY2009 (From April 1, 2008 to March 31, 2009)

No equity shares in subsidiaries or affiliates have a fair value.

FY2010 (From April 1, 2009 to March 31, 2010)

(Additional Information)

The “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10; March 10, 2008) and the “Guidance on Disclosures about the Fair Value of Financial instruments” (ASBJ Guidance No. 19; March 10, 2008) have been applied from the consolidated fiscal year ended March 31, 2010.

No equity shares in subsidiaries or affiliates have a fair value.

(Notes to Tax Effect Accounting)

Fiscal 2009 (as of Mar 31, 2009)	Fiscal 2010 (as of Mar 31, 2010)
(1) Major components of deferred tax assets and deferred tax liabilities accrued	(1) Major components of deferred tax assets and deferred tax liabilities accrued

Fiscal 2009 (as of Mar 31, 2009)

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

	(million yen)
Deferred tax assets (current assets)	
Accrued business office taxes	25
Enterprise tax payable	22
Accrued bonuses	496
Loss carried forward for tax purposes	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 for tax purposes	960
Others	53
Total	2,546
Valuation reserve	-2,030
Subtotal	515
Total deferred tax assets	1,512
Deferred tax liabilities (long-term liabilities)	
Reserve for reduction entry of land	-744
Revaluation difference on available-for-sale securities	-668
Total deferred tax liabilities	-1,413
Net deferred tax assets	99

(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.

Fiscal 2010 (as of Mar 31, 2010)

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

	(million yen)
Deferred tax assets (current assets)	
Accrued business office taxes	1
Enterprise tax payable	37
Accrued bonuses	16
Loss carried forward for tax purposes	83
Others	2
Total	140
Deferred tax assets (fixed assets)	
Allowance for doubtful receivables	490
Investment securities	343
Stocks in associated companies	570
Other long-term liabilities	92
Accrued retirement benefits for employees	2
Impairment loss	86
Loss carried forward for tax purposes	2,179
Others	0
Total	3,766
Valuation reserve	-3,590
Subtotal	175
Total deferred tax assets	315
Deferred tax liabilities (long-term liabilities)	
Reserve for reduction entry of land	-738
Revaluation difference on available-for-sale securities	-953
Total deferred tax liabilities	-1,691
Net deferred tax liabilities	-1,375

(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)	
Dividend income and other items not permanently included in income	-53.5
Amount exceeding the limit to credit the reserve for doubtful receivables	16.2
Reversal of the allowance for doubtful receivables upon a company split	5.8
Investment securities appraisal loss disapproved	3.9
Reversal of deferred tax assets	19.8
Loss from the transfer of subsidiary shares	-127.1
Loss carried forward	108.6
Income tax refunds receivable	-2.7
Others	0.3
Tax and other burden rate after application of tax effect accounting	11.8

(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).

Fiscal 2010 (From Apr 1, 2009 to Mar 31, 2010)
Refer to (1) Notes to Consolidated Financial Statements of 1 Consolidated Financial Statements (Notes to Business Combinations).

(Information per Share)

Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)		Fiscal 2010 (From Apr 1, 2009 to Mar 31, 2010)	
Net asset per share	1,104.62 yen	Net asset per share	807.62 yen
Net income per share	-70.46 yen	Net income per share	11.46 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.		Net income per share after adjustments on potential shares	11.26 yen

(Note) Basis for calculation

1. Net asset per share

Items	Fiscal 2009 (as of Mar 31, 2009)	Fiscal 2010 (as of Mar 31, 2009)
Total net assets on balance sheet (million yen)	64,928	59,447
Net assets related to common stock (million yen)	64,865	59,384
Major components of difference (million yen) Equity warrants	62	62
Number of shares of outstanding common stock (in thousand stocks)	60,766	74,582
Number of treasury shares of common stock (in thousand stocks)	2,044	1,052
Number of shares of common stock used in calculating net asset per share (in thousand stocks)	58,722	73,530

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

Items	Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)	Fiscal 2010 (From Apr 1, 2009 to Mar 31, 2010)
Net income per share		
Net income (million yen)	-4,174	753
Amount not related to shareholders of common stock (million yen)	—	—
Net income from common stock (million yen)	-4,174	753
Average number of shares outstanding during fiscal year (in thousand stocks)	59,247	65,759
Net income per share after adjustments on potential shares		
Adjustment for net income (million yen)	—	4
Increase in number of shares of common stock (in thousand stocks)	—	1,566
(Including convertible bonds with subscription rights to shares)	—	1,566
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)	Same as in left column.

(Note) Because the description of the net income per share after adjustments regarding potential shares for the previous fiscal year is omitted, the description of the basis of the calculation is also omitted.

(Significant Subsequent Events)

Fiscal 2009 (From Apr 1, 2008 to Mar 31, 2009)	Fiscal 2010 (From Apr 1, 2009 to Mar 31, 2010)
（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 2009 (From Apr 1, 2008 to Mar 31, 2009)	Fiscal 2010 (From Apr 1, 2009 to Mar 31, 2010)
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 TOHO HOLDINGS and 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 2009 (From Apr 1, 2008 to Mar 31, 2009)	Fiscal 2010 (From Apr 1, 2009 to Mar 31, 2010)

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 (Note)
Capital	10 million yen
Number of shares issued	200 shares
Net assets	9 million yen
Total assets	10 million yen
Fiscal year end	March 31
Employees	0

(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 (Note)
Capital	10 million yen
Number of shares issued	200 shares
Net assets	5 million yen
Total assets	21 million yen
Fiscal year end	March 31
Employees	0

(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 Pharmaceutical 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 2009 (From Apr 1, 2008 to Mar 31, 2009)	Fiscal 2010 (From Apr 1, 2009 to Mar 31, 2010)

12. Item and Amount of Assets and Liabilities to be Split (as of March 31, 2009)

	Pharmaceutical wholesaling business	Business pertaining to the management of dispensing pharmacy business companies
Current assets	288,817 million yen	—
Fixed Assets	33,044 million yen	8,672 million yen
Total Assets	321,862 million yen	8,672 million yen
Current liabilities	298,035 million yen	—
Long-term liabilities	910 million yen	—
Total liabilities	298,945 million yen	—

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)

（Conclusion of the Stock Swap Agreement with OMWELL Inc.）
The Company's Board of Directors resolved at its meeting held on May 21, 2009, to implement a stock swap with OMWELL Inc. ("OMWELL" hereinafter) to make it a wholly-owned subsidiary with the Company as the wholly owning parent company ("the stock swap" hereinafter), based on which the Company entered into a stock swap agreement with OMWELL.
For details, refer to (1) Notes on the Consolidated Financial Statements of 1 Consolidated Financial Statements (Significant Subsequent Events).

（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
81 pharmacies (March 31, 2009)