

Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2019

August 1, 2018

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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 Scheduled Submission Date for Quarterly Report: August 14, 2018 Planned Date of Dividends Payment: —
 Quarterly Supplemental Explanatory Material Prepared: None
 Quarterly Results Briefing Held: None

(Amounts are truncated to the nearest million yen.)

1. Consolidated Results of Operations during the First Quarter of Fiscal Year ending March 31, 2019 (from April 1, 2018 to June 30, 2018)

(1) Consolidated Results of Operations

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Quarter ended June 2018	301,349	0.7	2,051	-15.6	3,596	-6.7	2,292	-0.6
First Quarter ended June 2017	299,279	-4.8	2,431	-35.2	3,856	-27.1	2,305	-34.2

(Note) Comprehensive income: First Quarter ended June 2018: 5,598 million yen (84.9%); First Quarter ended June 2017: 3,028 million yen (-27.8%)

	Current Net Income per Share	Current Net Income per Share - Diluted
	Yen	Yen
First Quarter ended June 2018	33.59	30.30
First Quarter ended June 2017	33.56	30.47

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	Million yen	Million yen	%
First Quarter ended June 2018	670,983	208,686	31.1
FY ended March 2018	645,799	207,772	32.1

(Reference) Shareholder's equity: First Quarter ended June 2018: 208,517 million yen; FY ended March 2018: 207,603 million yen

2. Payment of Dividends

	Annual Cash Dividend per Share				
	End of First Quarter	End of Second Quarter	End of Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY Ended March 2018	—	15.00	—	15.00	30.00
FY Ending March 2019	—	—	—	—	—
FY Ending March 2019 (Projected)	—	15.00	—	15.00	30.00

(Note) Revision of the dividend forecasts most recently announced: None

3. Projected Consolidated Results of Operations during Fiscal Year Ending March 2019 (from April 1, 2018 to March 31, 2019)

(Percentages indicate the rate of change compared with the preceding fiscal year or period.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Profit per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First Half	579,000	-2.8	4,200	-23.1	7,100	-15.6	4,200	-18.2	62.38
Full Year	1,195,000	-1.5	12,100	-36.4	17,700	-29.3	10,100	-29.8	152.58

(Note) Revision of projected consolidated results of operations most recently announced: None

※ Notes

- (1) Changes in material subsidiaries during the first quarter ended June 2018:N.A.
 (Changes in special subsidiaries accompanying with a change in the scope of consolidation)
 Inclusion — (—) Exclusion —(—)
- (2) Application of accounting process which is peculiar to the compilation of consolidated quarterly financial statements: N.A.
- (3) Changes in accounting policies and accounting estimates, and correction and restatement
 (i) Changes in accounting policies accompanying with revisions in accounting standards, etc.: N.A
 (ii) Changes in accounting policies other than the above item (i): N.A.
 (iii) Changes in the accounting estimates: N.A.
 (iv) Correction and restatement: N.A

(4) Number of shares outstanding (Common stock)

- Number of shares outstanding at the end of
 (i) fiscal year (Including common stock for treasury)
 (ii) Number of treasury stocks at the end of fiscal year
 (iii) The average number of shares during the first quarter

First Quarter ended June 2018	78,270,142	FY Ended March 2018	78,270,142
First Quarter ended June 2018	11,110,300	FY Ended March 2018	9,518,069
First Quarter ended June 2018	68,250,728	First Quarter ended June 2017	68,612,155

*Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2019 is unaudited information.

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

Any forward-looking statements contained in this report, including performance projections, are based on information currently available to the Company as well as certain assumptions that the Company determined to be rational at the time of the release of this report, and it is not intended that the Company undertake to achieve such results. Actual results may differ significantly from the projections above, due to a variety of factors.

Please refer to Qualitative Information on Projected Consolidated Results of Operations on page 3 of this report (the Attached Document) for the suppositions on which the performance projections are based and points that have to be borne in mind for the use of such projections.

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1. Qualitative Information on Financial Results for the First Quarter ended June 2018

(1) Explanation of Management Results

The prescription pharmaceuticals market during the first quarter of the fiscal year under review continued to face a severe environment as evidenced by the fact that NHI drug prices were slashed by 7.48% on a drug price basis, due primarily to the medical treatment fee revisions in April and the review of the promotional points addition system for new drug discovery, etc. carried out as part of the drastic reform of the drug pricing system.

The Group, as a corporate group engaged in the areas of medical care, healthcare, and nursing care, is making a concerted effort to accelerate the shift towards a business model centered on value-added services which are actually useful in a wide range of areas, by developing and proposing customer support systems to offer solutions to problems faced by patients, medical institutions, etc., and by contributing to the establishment of community comprehensive healthcare systems. In addition, by promoting consolidation and standardization of operations as well as the appropriate allocation of personnel, the Group is striving to improve productivity, secure stable profits and increase profit levels.

KYOSOMIRAI PHARMA CO., LTD., which is in its second year of operation, continues to stable supply of high-quality, high-value-added generic drugs and is endeavoring to expand the product line-up. As of the end of June 2018, it dealt in 15 ingredients/ 42 products.

The Company's operating results for the consolidated first quarter of the fiscal year ending March 2019 recorded 301,349 million yen for net sales (an increase of 0.7% on a year-on-year basis), 2,051 million yen for operating income (a decrease of 15.6% on a year-on-year basis), 3,596 million yen for ordinary income (a decrease of 6.7% on a year-on-year basis), and 2,292 million yen for net income attributable to the shareholders of the parent company (a decrease of 0.6% on a year-on-year basis). The progress rate compared to the forecasts for the first half of the fiscal year ending March 2019 is net sales of 50.2%, operating income of 48.9%, ordinary income of 50.7%, and net income attributable to the shareholders of the parent company of 54.6%.

The outline of operating results by business segment is as follows:

In the pharmaceutical wholesaling business, we have made an effort to conduct unit price negotiations per single item based on the value of each product and in accordance with the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies, and have pressed ahead with measures to decrease the number of express/frequent deliveries which impose a heavy burden on both the Company's and our customers' operations. We have also engaged in activities to promote and enhance sales of the Company's unique customer support systems such as the Appointment service for first patients and ENIFvoice Core.

As a result, in the first quarter of the current fiscal year, the pharmaceutical wholesaling business posted net sales of 290,868 million yen (an increase of 1.4% on a year-on-year basis) and segment income (operating income) of 2,561 million yen (an increase of 15.3% on a year-on-year basis).

In the dispensing pharmacy business, we endeavored to improve profitability by responding to the dispensing fee revision and increasing management efficiency through standardization of store operations and consolidation of some operations into the headquarters. However, adversely affected by the dispensing fee revisions, in the first quarter of the current fiscal year, the dispensing pharmacy business posted net sales of 22,899 million yen (a decrease of 5.2% on a year-on-year basis) and segment loss (operating loss) of 53 million yen (segment income of 662 million yen in the same period of the previous fiscal year).

In the SMO operations, net sales for the first quarter ended June 2018 amounted to 89 million yen (an increase of 19.9% on a year-on-year basis) and segment income (operating income) was 30 million yen (an increase of 51.1% on a year-on-year basis).

In the information equipment sales operations, net sales for the first quarter ended June 2018 totaled 233 million yen (a decrease of 17.2% on a year-on-year basis), with a segment loss (operating loss) of 58 million yen.

(Note) Segment net sales include inter-segment transactions.

(2) Explanation of Financial Position

(Assets)

Current assets increased 4.5% from the end of the previous consolidated fiscal year to 478,474 million yen with an increase in cash and deposits of 14,703 million yen, and an increase in notes and accounts receivable-trade of 3,438 million yen.

Noncurrent assets increased 2.4% from the end of the previous consolidated fiscal year to 192,509 million yen with an increase in investment securities of 5,105 million yen.

As a result, consolidated net assets increased 3.9% from the end of the previous consolidated fiscal year, to 670,983 million yen.

(Liabilities)

Current liabilities increased 0.9% from the end of the previous consolidated fiscal year to 394,256 million yen with an increase in notes and accounts payable-trade of 5,020 million yen.

Noncurrent liabilities increased 44.2% from the end of the previous consolidated fiscal year, to 68,040 million yen with an increase in bonds payable of 20,094 million yen.

As a result, total liabilities increased 5.5% from the end of the previous consolidated fiscal year, to 462,297 million yen.

(Net assets)

Total net assets increased 0.4% from the end of the previous consolidated fiscal year to 208,686 million yen with an increase in retained earnings of 1,264 million yen, an increase in valuation difference on available-for-sale securities of 3,306 million yen, and an increase in treasury stock of 3,656 million yen.

(3) Explanation of Projections of Consolidated Operating Results for Fiscal Year ending March 2019

There are no changes in the projected consolidated results of operations for the first half of fiscal year ending March 2019 and the full-term of the fiscal year published on May 9, 2018.

2. Quarterly Consolidated Financial Statements and Main Notes
(1) Quarterly Consolidated Balance Sheets

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2018)	End of this consolidated first quarter (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	67,943	82,647
Notes and accounts receivable-trade	281,657	285,095
Merchandise and finished goods	73,088	73,776
Other	35,313	37,224
Allowance for doubtful accounts	-277	-270
Total current assets	457,724	478,474
Noncurrent assets		
Property, plant and equipment	90,709	89,973
Intangible assets		
Goodwill	2,614	2,175
Other	2,545	2,468
Total intangible assets	5,159	4,644
Investments and other assets		
Investment securities	81,718	86,824
Other	13,071	13,616
Allowance for doubtful accounts	-2,584	-2,548
Total investments and other assets	92,206	97,892
Total noncurrent assets	188,075	192,509
Total assets	645,799	670,983

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2018)	End of this consolidated first quarter (As of June 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	369,179	374,200
Short-term loans payable	944	778
Income taxes payable	6,335	1,984
Provision for bonuses	3,541	5,304
Provision for directors' bonuses	69	17
Provision for sales returns	344	327
Asset retirement obligations	2	-
Other	10,410	11,643
Total current liabilities	390,827	394,256
Noncurrent liabilities		
Bonds payable	15,026	35,120
Long-term loans payable	5,898	5,814
Provision for retirement benefits	1,918	1,942
Asset retirement obligations	1,093	1,098
Negative goodwill	24	19
Other	23,238	24,040
Total noncurrent liabilities	47,200	68,040
Total liabilities	438,027	462,297
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	47,874	47,874
Retained earnings	140,317	141,582
Treasury stock	-16,612	-20,269
Total shareholders' equity	182,228	179,836
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29,708	33,015
Revaluation reserve for land	-4,333	-4,333
Total accumulated other comprehensive income	25,374	28,681
Subscription rights to shares	168	168
Total net assets	207,772	208,686
Total liabilities and net assets	645,799	670,983

(2) Quarterly Consolidated Profit and Loss Statement and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Profit and Loss Statement

(Unit: million yen)

	Previous consolidated first quarter (From April 1, 2017 to June 30, 2017)	This consolidated first quarter (From April 1, 2018 to June 30, 2018)
Net sales	299,279	301,349
Cost of sales	273,069	275,519
Gross profit	26,210	25,830
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	10,343	10,423
Provision for bonuses	1,727	1,818
Provision for directors' bonuses	17	17
Retirement benefits expenses	53	53
Welfare expenses	1,961	1,970
Vehicle expenses	261	276
Provision of allowance for doubtful accounts	-11	-32
Depreciation	1,085	1,039
Amortization of goodwill	507	439
Rent expenses	1,760	1,766
Taxes and dues	459	466
Expense before deduction of temporary consumption tax payment	1,333	1,320
Other	4,277	4,218
Total selling, general and administrative expenses	23,778	23,778
Operating income	2,431	2,051
Non-operating income		
Interest income	13	14
Dividend income	477	528
Commission fee	709	777
Amortization of negative goodwill	6	5
Equity in earnings of affiliates	2	19
Other	401	359
Total non-operating income	1,612	1,704
Non-operating expenses		
Interest expenses	11	7
Bonds issuance cost	-	50
Expenses of real estate rent	90	66
Settlement package	59	-
Other	26	35
Total non-operating expenses	187	159
Ordinary income	3,856	3,596

(Unit: million yen)

	Previous consolidated first quarter (From April 1, 2017 to June 30, 2017)	This consolidated first quarter (From April 1, 2018 to June 30, 2018)
Extraordinary income		
Gain on sales of noncurrent assets	0	1
Gain on sales of investment securities	0	-
Other	1	0
Total extraordinary income	2	2
Extraordinary loss		
Loss on disposal of noncurrent assets	30	0
Impairment loss	-	16
Other	3	0
Total extraordinary loss	34	17
Income before income taxes	3,823	3,581
Income taxes-current	1,973	2,185
Income taxes-deferred	-455	-896
Total income taxes	1,518	1,289
Current net income	2,305	2,292
Profit attributable to owners of parent	2,305	2,292

Quarterly Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Previous consolidated first quarter (From April 1, 2017 to June 30, 2017)	This consolidated first quarter (From April 1, 2018 to June 30, 2018)
Current net income	2,305	2,292
Other comprehensive income		
Valuation difference on available-for- sale securities	705	3,289
Share of other comprehensive income of associates accounted for using equity method	17	16
Total other comprehensive income	722	3,306
Comprehensive income	3,028	5,598
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,028	5,598
Comprehensive income attributable to Non-controlling interests	—	—

(3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes Concerning Premise of a Going Business)

Not applicable.

(Notes Concerning Material Changes in Shareholders' Equity)

This consolidated first quarter (from April 1, 2018 to June 30, 2018)

Not applicable.

(Additional Information)

The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018) etc. from the beginning of the first quarter of the consolidated fiscal year under review. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.

(Segmental Information)

I Previous consolidated first quarter (from April 1, 2017 to June 30, 2017)

1. Information about sales and profit or loss by reportable segment

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO (million yen)	Information Equipment Sales (million yen)	Total (million yen)		
Net Sales							
(1) Sales to external customers	274,963	24,051	75	189	229,279	-	299,279
(2) Inter-segment sales	11,845	95	-	92	12,034	-12,034	-
Total	286,808	24,147	75	281	311,313	-12,034	299,279
Segment profit	2,221	662	20	-58	2,846	-414	2,431

(Note) 1. The amount of the adjustments for segment profits or losses shows the elimination of internal transactions and unrealized profit.

2. The amounts for income or losses in the reportable segments were subsequently adjusted with the amount of operating income on the Quarterly Consolidated Profit and Loss Statement.

2. Information about impairment losses on noncurrent assets or goodwill by each business segment

Not applicable.

II This consolidated first quarter (from April 1, 2018 to June 30, 2018)

1. Information about sales and profit or loss by reportable segment

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales							
(1) Sales to external customers	278,268	22,813	89	177	301,349	-	301,349
(2) Inter-segment sales	12,600	85	-	55	12,741	-12,741	-
Total	290,868	22,899	89	233	314,091	-12,741	301,349
Segment profit	2,561	-53	30	-58	2,480	-428	2,051

(Note) 1. The amount of the adjustments for segment profits or losses shows the elimination of internal transactions and unrealized profit.

2. The amounts for income or losses in the reportable segments were subsequently adjusted with the amount of operating income on the Quarterly Consolidated Profit and Loss Statement.

2. Information about impairment losses on noncurrent assets or goodwill by each business segment

Not applicable.