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To whom it may concern:

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Notice on the Formulation of the New Medium-term Management Plan

TOHO HOLDINGS CO., LTD. hereby announces that it has formulated a new Medium-term Management Plan, which covers the period from April 2013 to March 2016. An outline of the new Medium-term Management Plan is as follows:

1. Purpose of Formulating the Medium-term Management Plan

From the current fiscal year, the Company has established a new Medium-term Management Plan “Total Commitment to Good Health 14-16” under which, by going a step ahead of the rapid changes and front-line issues of the medical care and pharmaceutical industries, it aims to further improve the efficiency of pharmaceutical distribution and realize high added value in order to contribute to an extension of the healthy life expectancy of people as well as the establishment and maintenance of a sustainable social security system in this super-aging society. In addition, while recognizing its public nature as a medical and health-related company, the Company will focus on streamlining its management through various measures to improve the optimization and productivity of the whole group and aspire to become a business group that is continuously supported by the society under its motto “Total Commitment to Good Health”.

2. Basic policy of the Medium-term Management Plan

(1) Formation of a business group that can offer maximum professional advantages

In the field of the wholesale and dispensing pharmacy business, the Company will appropriately proceed with restructuring area operations of business companies from the perspective of improving business efficiency and the optimization of the group as a whole, while in the field of its main business, the pharmaceutical wholesaling operations, it will continue to promote its “unique proposal-based marketing and sales business model” based on the theme of “customer orientation” by introducing a branch company system for each block. Furthermore, in the dispensing pharmacy business, the Company will strive to make efforts for restructuring area operations of business companies, enhancing the efficiency of dispensing pharmacies businesses that play an important role in community healthcare, and ensuring greater added value. In addition, in peripheral medical care businesses, the Company will develop a coordination system between business companies in each field and form a business group that can offer maximum professional advantages in the fields of medical treatment and health care.

(2) Approach towards community healthcare linkages using a broad product lineup

In addition to prescription pharmaceuticals, through its broad lineup of medical and health products

ranging from reagents, medical devices, medical materials, OTC drugs to health foods, and its contribution to the community healthcare linkage, home medical care and nursing fields, the Company aims to be a business group that can comprehensively support an extension of the healthy life expectancy of people by preventing diseases and promoting their health.

(3) Development of a business base that can serve as part of the social infrastructure

The Company will review and further reinforce each of its functions as a pharmaceutical wholesale company, i.e. “Product Distribution”, “Commercial Distribution” and “Information” in light of the business continuity. Meanwhile, as for the necessary investments, for example, in the implementation of measures to cope with earthquake disasters, pandemics, etc., the Company will proceed with necessary preparations based on “confidence and empathy” from various stakeholders regardless of economic rationality and improve the social corporate value of the Company.

3. Priority measures towards achievement of the Medium-term Management Plan’s goals

(1) Comprehensive reform of marketing and distribution

The Company will enhance its competence in collecting and making use of information on the trends of pharmaceuticals market and customers while continuing both the proposal-based marketing and sales centering on customer support and the pharmaceutical products promotion. On the other hand, it will make efforts to further improve productivity in the wholesale and dispensing pharmacy business by strongly promoting drastic structural reform based on the central measure “Integrated Reform in Sales and Distribution”. Under this measure, the Company will take various efforts to significantly reinforce and expand the functions of the group administration center that centrally controls pharmaceutical wholesaling and dispensing pharmacy operations, to drastically review the existing businesses with the emphasis on an increase in the number of call centers, to optimize and reduce the total number of personnel by integrating back-office affairs, and to review the delivery system from the distribution center, etc.

Through these efforts, the Company aims at accomplishing its target of a SG&A ratio to sales of 5.49% in the pharmaceutical wholesaling business and 27.91% in the dispensing pharmacy business in the final year of this Medium-term Management Plan.

(2) Improvements in distribution efficiency and the upgrading of traceability

The Company will promote the establishment of a new storage and distribution system in response to newly emerging distribution challenges in relation to the increase in the volume of generic products and the handling of specialty products, while giving the highest priority to ensuring of security and safety in the distribution of the pharmaceutical products. In this context, the Company will realize auto-location control based on the manufacturing number (lot number) and the expiry date of the products at all the distribution centers, and promote innovation in the distribution facilities through such means as the introduction of robots to save labor and increase efficiency in warehouses. Besides this, it will establish a system to control shipping information and achieve an improvement of customer satisfaction and efficiency in the distribution of pharmaceutical products.

(3) Approach to the promotion of overseas businesses

In addition to the wholesale business in China, the Company will further promote mutual exchanges of human resources with its partner companies in the United States and South East Asia, and reinforce approaches to surveys and research for business development in the pharmaceutical products distribution and healthcare market in overseas countries.

(4) Efforts to develop new business models and new products through the use of the Internet.

By offering a new business model that can maximize the professional competence of pharmacists and ensure safety for consumers via its “eKenkoshop”, the Company will support the reinforcement of the

relationship between dispensing pharmacies and the patients related to OCT drugs and health-related products. With its “Initial Examination Reservation Service”, the Company will also improve the presence of medical clinics which are our customers and thereby contribute to their acquisition of new patients. Likewise, it will develop B2C businesses centering on health-related products and make new efforts for the development and nurturing of PB products by taking advantage of its information and product procurement capacity as a pharmaceutical wholesale company.

(5) Promotion of cash flow management

In order to maintain financial soundness, the Company will continue to take various measures, including the shortening of accounts receivables turnover months and inventory turnover months, the optimization of cost efficiency, and the reduction of financing costs by using the internal funds within group companies. In addition, the Company will actively work on the development of new business models and investment in alliances based on the principle of selection and concentration.

(6) Development of human resources to realize an active organization

The Company aims to develop human resources equipped with highly integrated capabilities, combining insight based on deep wisdom and intelligence as well as practical and flexible communication skills and abilities to get things done. While encouraging the employees to face new challenges, the Company will promote implementation of education and training and cross-sectional projects in order to foster an organizational climate in which the employees can feel free to demonstrate their abilities in multiple ways through spontaneous activities.

4. Performance targets

Numerical targets for the performance during the new Medium-term Management Plan have been set as follows:

Consolidated		(Unit: million yen)		
	FY2013	FY2014 (Target)	FY2015 (Target)	FY2016 (Target)
Net sales	1,140,364	1,181,000	1,229,000	1,285,000
Operating income	15,877	14,700	19,500	26,100
Ordinary income	19,585	20,400	25,000	31,400

As described in the Notice regarding a Change in the Accounting Treatment submitted to Tokyo Stock Exchange on May 10, the Company posted a “loss before deduction of temporary consumption tax payment (such as non-deductible consumption tax)” under the classification of “non-operating expenses” until fiscal 2013, however, the Company decided to change it to be represented in SG&A expenses from the fiscal year ending March 2014.

Due to the change, SG&A expenses have been raised by 2.8 billion yen, whereas the operating income has been reduced by the same amount in the full-year earnings forecasts for FY2014. The full-year operating income forecast based on the accounting treatment prior to the change is 17.5 billion yen (up 10.2% from the previous year in real terms). Neither ordinary income nor net income is affected by the change.