

July 1, 2016

To whom it may concern:

Company Name	TOHO HOLDINGS CO., LTD.
Corporate Representative	Norio Hamada, President and Representative Director (First Section of Tokyo Stock Exchange Securities Code:8129)
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Notice Regarding TAISYODO CO., LTD. Becoming a Wholly Owned Subsidiary of
TOHO HOLDINGS CO., LTD. through a Simplified Stock Swap

TOHO HOLDINGS CO., LTD. (Headquarters: Tokyo; President and Representative Director: Norio Hamada; hereinafter, "TOHO HOLDINGS") is pleased to announce that its Board of Directors held on May 19, 2016 voted to execute a stock swap (hereinafter, the "stockswap"), by which TOHO HOLDINGS will become the sole parent company and TAISYODO CO., LTD. (Headquarters: Shiga Prefecture; President and Representative Director: Ryuichi Tomioka; hereinafter, "TAISYODO") will become the wholly-owned subsidiary, and the two parties have executed the stock swap agreement on May 26, 2016.

Regarding the stock swap, TAISYODO has obtained the approval of its extraordinary shareholders meeting held on June 14, 2016. TOHO HOLDINGS will carry out the stock swap which will be effective on October 1, 2016, under the procedures for a simplified stock swap pursuant to the provisions of Article 796, Paragraph 2 of the Companies Act and without acquiring any approval from its general shareholders meeting.

Please note that some of the disclosure items and contents are partially omitted in this disclosure material as far as the stock swap is concerned, since TAISYODO's total assets accounted for less than 10% of the net assets for TOHO HOLDINGS as of the end of the latest fiscal year, with TAISYODO's net sales representing less than 3% of that for TOHO HOLDINGS during the latest fiscal year.

1. Purpose behind establishing the wholly owned subsidiary through a stock swap

As a group of distribution companies engaged in the medical, health and nursing care sector and under the group's corporate slogan, "Total commitment to good health", TOHO HOLDINGS conducts businesses such as pharmaceutical wholesaling, management of dispensing pharmacies, development and provision of customer support systems, etc., and at the same time, actively promotes community healthcare collaboration and makes positive commitments to the home medical and nursing care sector.

Founded in 1957, and having Shiga Prefecture and the southwest part of Mie Prefecture as the trade area, TAISYODO is engaged in pharmaceutical wholesaling business centered on generic drugs.

TOHO HOLDINGS has decided to carry out the business integration through a stock swap based on the belief that maintaining the community-based franchise long developed by TAISYODO while leveraging a range of management resources owned by the TOHO Group will facilitate further enhancement in sales capabilities and corporate value.

2. Outlines of the Stock Swap

(1) Schedule of stock swap

BOD to approve the conclusion of the stock swap agreement (TAISYODO)	April 26, 2016
BOD to approve the conclusion of the stock swap agreement (TOHO HOLDINGS)	May 19, 2016
Conclusion of the agreement regarding the stock swap (TOHO HOLDINGS and TAISYODO)	May 26, 2016
Extraordinary shareholders' meeting to approve the stock swap (TAISYODO)	June 14, 2016
Stock swap date (proposed effective date)	October 1, 2016

(Note) This stock swap, as it concerns TOHO HOLDINGS is scheduled to adopt a simplified process that is exempted, under Article 796, Paragraph 2 of the Corporations Law, from obtaining approval of its shareholders' meeting.

(2) Method of business reorganization

A stock swap pursuant to which TOHO HOLDINGS will become a parent company and TAISYODO will become a wholly owned subsidiary.

(3) Stock swap ratio

Based on the assumption that TAISYODO's outstanding shares totaling 13,370 shares are worth 300 million yen, TOHO HOLDINGS will offer its common shares to TAISYODO's shareholders registered as of the last trading day prior to October 1, 2016, which shall be deemed as the effective date for the stock swap, in exchange for the common shares owned by them in TAISYODO. The number of common shares to be issued by TOHO HOLDINGS to those existing shareholders of TAISYODO will be determined by multiplying a stock swap ratio to the total number of common shares owned by respective shareholders of TAISYODO. When offering common shares to the shareholders of TAISYODO, TOHO HOLDINGS will use its treasury stock.

The stock swap ratio applicable to the shareholders of TAISYODO will be determined, based on the closing price of TOHO HOLDINGS' common shares at the Tokyo Stock Exchange on the last trading day prior to the effective date of the stock swap, and will be disclosed as soon as it is determined.

If a fraction that is less than one share arises as a share allocation number, we are to sell shares that are equivalent to the total of the fractions in accordance with Article 234 of the Corporation Law (If the total number contains a fraction that is less than 1, the fraction is to be disregarded.), and distribute the proceeds to the relevant shareholders in response to the fractions.

(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. Grounds for calculating the stock swap rate

TOHO HOLDINGS and TAISYODO, for calculation of the stock swap rate, have designated Yamada & Partners Consulting Co., Ltd. (hereinafter, "Yamada & Partners") as an independent third party calculation agent to determine TAISYODO'S stock value in order to ensure fairness and appropriateness. Given that TAISYODO is an unlisted company, Yamada & Partners adopted the discounted cash flow (DCF) method when undertaking the calculation. The stock value has been determined, based on the future cash flows, as projected by TAISYODO in the following table covering the period from FY2015/9 to FY2020/9, discounted to the present value by applying a discount rate under certain assumptions or scenarios.

(Unit: Thousand yen)

	FYended September 2015	FYending September 2016	FYending September 2017	FYending September 2018	FYending September 2019	FYending September 2020
Net sales	552,837	558,366	563,950	569,589	586,677	592,543
Operating income	▲8,853	1,101	2,065	5,054	18,918	22,488

As far as the financial projections indicated above are concerned, TOHO HOLDINGS aims to achieve the growth in sales by further intensifying TAISYODO's sales capabilities on the strength of TOHO HOLDINGS' management resources, while expanding the sales of new drugs in addition to generic drugs. We also expect to achieve an expansion in operating income through reductions in SG&A expenses by utilizing a range of systems in use by TOHO HOLDINGS in pursuit of higher efficiency.

TAISYODO's stock value has been determined in the following range

Evaluation method	Per-share value range
DCF method	From 21,721yen to 26,548yen

Based on the calculation results and after a series of sincere discussions and negotiations between the two parties, TOHO HOLDINGS and TAISYODO have come to an understanding and agreed that the stock evaluation as described in "2. Outlines of the Stock Swap (3) Stock swap ratio" is reasonable.

Please note that Yamada & Partners is an independent third party calculation agent and it is not related to either party.

4. Outlines of parties involved in the stock swap (as of March 31, 2016)

		Parent company	Wholly-owned subsidiary			
(1)	Company name	TOHO HOLDINGS CO., LTD.	TAISYODO CO., LTD.			
(2)	Principal place	5-2-1 Daizawa, Setagaya-ku, Tokyo	3-38 Minakuchichojoto, Koka-city, Shiga			
(3)	Corporate representative	Norio Hamada, President and Representative director	Ryuichi Tomioka, President and Representative director			
(4)	Business contents	Pharmaceutical wholesaling business, Dispensing pharmacy business, etc	Prescription pharmaceutical wholesaling business			
(5)	Capital	10,649 million yen	20 million yen			
(6)	Establishment	September 17,1948	June 25, 1957			
(7)	Number of shares issued	78,270,142 shares	20,000 shares			
(8)	Fiscal year end	March 31	September 30			
(9)	Employees	7,969 (consolidated)	17			
(10)	Major business partners	(consolidated) Gilead Sciences K.K. DAIICHI SANKYO COMPANY, LIMITED Mitsubishi Tanabe Pharma Corporation Astellas Pharma Inc	Teva Pharma Japan Inc. Kobayashi Kako Co., Ltd. NIPRO CORPORATION			
(11)	Main Bank	Mizuho Bank , Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd.	THE SHIGA BANK, LTD.			
(12)	Major shareholders and equity holdings	SHIONOGI & CO., LTD: 5.94 % Mitsubishi Tanabe Pharma Corporation: 4.57 % Astellas Pharma Inc: 2.56 % (as of March 31, 2016)	Director Stock Ownership Plan 35.00% Employee Stock Ownership Plan 15.50% (as of May 26, 2016)			
(13)	Relationships between Parties					
	Capital relationship	There are no applicable items.				
	Personnel relationships	There are no applicable items.				
	Business relationships	There are no applicable items.				
	Status applicable to the related party	There are no applicable items.				
(14) Management results and financial conditions for the latest three fiscal years (Unit: million yen)						
Fiscal year	TOHO HOLDINGS (consolidated)			TAISYODO		
	FY ended March 2014	FY ended March 2015	FY ended March 2016	FY ended September 2013	FY ended September 2014	FY ended September 2015
Net assets	147,190	157,371	174,656	62	59	46
Total assets	580,137	599,950	642,698	339	351	326
Net asset per share(Yen)	1,952.04	2,246.54	2,544.58	3,122.90	2,965.40	2,295.98
Net sales	1,189,627	1,162,148	1,308,474	509	543	553
Operating income	12,328	10,017	28,618	△6	△4	△9
Ordinary income	18,303	15,902	34,493	△6	△2	△9
Net income	10,407	13,535	21,771	△9	△3	△13
Net income per share (Yen)	139.58	181.83	316.51	△440.12	△171.84	△662.13
Dividends per share (Yen)	20.00	24.00	28.00	80	80	0

5. Status after the stock swap (of the wholly owning parent company created as a result of the stock swap)

(1) Company name	TOHO HOLDINGS CO., LTD.
(2) Principal place	5-2-1 Daizawa, Setagaya-ku, Tokyo
(3) Corporate representative	Norio Hamada, President and Representative director
(4) Business contents	Pharmaceutical wholesaling business, Dispensing pharmacy business, etc
(5) Capital	10,649 million yen
(6) Fiscal year end	March 31
(7) Net assets	Currently not yet determined
(8) Total assets	Currently not yet determined

6. Performance outlook

The impact of TAISYODO becoming a wholly owned subsidiary of TOHO HOLDINGS on its consolidated business performance for the current fiscal year and the future is insignificant.

(Reference) Financial results forecasted for the fiscal year ending March 2017 (as published on May 11, 2016) and the actual performance for the fiscal year ended March 2016

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
FY ending March 2017 (Forecast)	1,285,000	18,700	24,000	14,900
FY ended March 2016	1,308,474	28,618	34,493	21,771

(Unit: million yen)