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To whom it may concern:

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Results of Operations during the First Quarter of Fiscal Year Ending March 31, 2017

TOHO HOLDINGS CO., LTD. (hereafter “the Company”) announces that it has released consolidated financial results for the first quarter of the fiscal year ending March 2017 today.

During the first quarter under review, while measures to curtail medical expenses were being promoted as seen in the 7.8% reduction in the NHI drug prices including exceptions to repricing measures for market expansion in April 2016, and as seen in the revision of the medical service fee system for promoting further use of generic drugs, the Company, as a distribution business group engaged in areas for medical care, healthcare, and nursing care, in order to respond quickly to rapidly changing environments in the future, promoted shifting to a business model that focuses on the provision of value-added services, whose value of existence will be demonstrated across a wide range of areas, by continuing to develop and propose various customer support systems and services for solving the problems of patients and medical institutions and to contribute to the building of a community comprehensive healthcare system. In addition to striving to secure appropriate profits through price negotiations ensuring one price for one product based on price systems in accordance with the value of each product, the Company enhanced its functions of distribution centers and call centers, and also strived to reduce all operation costs from order receipt to delivery, to streamline operations by further promoting “the integrated reform in sales and distribution”, and to reduce costs through the promotion of hiring the needed personnel, including those in indirect departments.

Net sales for the pharmaceutical wholesaling business in the first quarter of the fiscal year ending March 31, 2017 increased by 7.1% from the same period of the previous year, due to a year-on-year sales expansion in the curative drugs for hepatitis C, whose market has grown rapidly, especially since the second quarter of the previous fiscal year, and due to sales growth in new drugs such as cancer drugs, albeit with a negative impact caused by NHI drug price revisions. Operating income increased by 79.8% on a year-on-year basis, because the expanding numbers of contracts for our own customer support systems, especially for the medication history preparation support system with automatic speech recognition “ENIFvoice SP”, “the first medical examination reception service”, and “Pharmacist web-Learning” supporting “your” pharmacists’ learning, have contributed to business performance, and the reductions in selling and administrative expenses have also had an effect.

Net sales for the dispensing pharmacy business declined by 0.7% on a year-on-year basis, due to the effects of NHI drug price revisions and dispensary fee revisions in April 2016. The operating loss marked 118 million yen (compared to the operating income of 446 million yen in the same period of the previous fiscal year). In order to improve profitability, the Company will continue to enhance the functions of each store in response to the dispensary fee revisions, to be involved in store management aimed at making local pharmacies closely attached to local healthcare around the concept of establishing “Health Support Pharmacy”, and to address the cost reduction measures by standardizing store operations and by aggregating operations back to the head office.

As a result, the Company’s operating results for the consolidated first quarter of the current fiscal year are as follows. There are no changes in the projected consolidated results of operations for the first half of the fiscal year ending March 2017 and the full-term of the year published on May 11, 2016.

Unit: million yen (Amounts are truncated to the nearest million yen.)

Consolidated	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent
First Quarter, Ended June 2016	314,333	3,753	5,293	3,503
First Quarter, Ended June 2015	295,159	2,687	4,309	1,358
YoY Change	19,174	1,065	983	2,144
YoY Change Ratio	106.5%	139.6%	122.8%	257.8%
Projected results for the First Half	641,000	9,500	12,200	7,700
Progress	49.0%	39.5%	43.4%	45.5%

Total commitment to good health



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