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To whom it may concern:

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

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

During the second 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, TOHO HOLDINGS, as a corporate group engaged in areas for medical care, healthcare, and nursing care, promoted shifting to a business model that focuses on value-added services by continuing to provide customer support systems and services and to contribute to a community comprehensive healthcare system. Besides, TOHO HOLDINGS established “KYOSOMIRAI PHARMA CO., LTD.” on November 1, 2016, which involves in development, manufacture and sales business in addition to contracted manufacture of pharmaceuticals. Taking maximum advantage of TOHO HOLDINGS managerial resources, it aims to establish a business scheme of integrated manufacture and sales which accurately responds to customers’ demands and to stably and effectively provide prescription pharmaceuticals centered on high quality and high value added generic drugs.

For the pharmaceutical wholesaling business in the second quarter of the fiscal year ending March 2017 net sales increased by 2.5% from the same period of the previous year, due to sales of the curative drugs for hepatitis C and achievement of new drugs such as cancer drugs, despite impacts caused by NHI drug price reductions, an increase in the purchasing cost ratio and an expansion of generic drugs. Operating income increased by 49.0% on a year-on-year basis because of the expanding numbers of contracts for our own customer support systems and the suppression effects in selling, general and administrative expenses.

For the dispensing pharmacy business net sales declined by 1.0% on a year-on-year basis, due to late response to NHI drug price revisions and dispensary fee revisions in April 2016.

In spite of implementing the cost reduction measures by standardizing store operations and aggregating operations back to the head office, productivity improvement delayed and cost increase exceeded the previous year results so that operating income decreased by 79.7% on a year-on-year basis.

As the severe market climate is predicted to remain through the third quarter and beyond, TOHO HOLDINGS revised the consolidated full-year earnings forecasts for the fiscal year ending March 2017 announced on May 11, 2016.

The consolidated results for the second quarter and full-year earnings forecasts are as follows.

1. Results in the First Half of Fiscal Year Ending March 2017 (Consolidated)

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 Half, FY Ending March 2017	615,778	7,640	10,569	6,890
First Half, FY Ending March 2016	602,184	6,110	9,164	4,276
YoY Change	13,594	1,530	1,404	2,613
YoY Change Ratio (%)	102.3	125.1	115.3	161.1
Forecasts for the First Half, FY Ending March 2017	641,000	9,500	12,200	7,700
Comparison with Forecasts for the First Half, FY Ending March 2017 (%)	96.1	80.4	86.6	89.5
Forecasts for the FY Ended March 2017	1,285,000	18,700	24,000	14,900
Percentage against the Full-year Earnings Forecasts (%)	47.9	40.9	44.0	46.2

2. Revision of the Full-year Earnings Forecasts for the Fiscal Year Ending March 2017

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

Consolidated	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent
Revised Forecasts for the FY Ending March 2017	1,235,000	13,500	18,900	12,400
Initial Forecasts for the FY Ending March 2017	1,285,000	18,700	24,000	14,900
Increase/Decrease	-50,000	-5,200	-5,100	-2,500
Change Rate (%)	-3.9	-27.8	-21.3	-16.8

3. Progress Rate Compared to the Revised Forecasts for the Fiscal Year Ending March 2017

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 Half, FY Ending March 2017	615,778	7,640	10,569	6,890
Revised Forecasts for the FY Ending March 2017	1,235,000	13,500	18,900	12,400
Comparison with the Revised Forecasts for the FY Ending March 2017 (%)	49.9	56.6	55.9	55.6

