

Summary of Consolidated Financial Results for the First Quarter of Fiscal 2010

July 28, 2009

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, 2009
 Planned Date of Dividends Payment:—

(Amounts are truncated to the nearest million yen.)

1. Consolidated Results of Operations during the First Quarter of Fiscal 2010 (from April 1, 2009 to June 30, 2009)

(1) Consolidated Results of Operations (Cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Current Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Quarter of Fiscal 2010	232,903	13.5	1,298	-44.1	2,125	-34.6	1,028	-49.9
First Quarter of Fiscal 2009	205,163	—	2,322	—	3,248	—	2,053	—

	Current Net Income per Share	Current Net Income per Share - Diluted
	Yen	Yen
First Quarter of Fiscal 2010	17.53	16.58
First Quarter of Fiscal 2009	35.43	32.49

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity per share	Net Assets per Share
	Million yen	Million yen	%	Yen
First Quarter of Fiscal 2010	432,456	78,973	18.2	1,345.14
Fiscal 2009	397,845	77,605	19.5	1,320.76

(Reference) Shareholder's equity: First Quarter of Fiscal 2010: 78,910 million yen ; Fiscal 2009 : 77,542 million yen

2. Historical 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
Fiscal 2009	—	10.00	—	10.00	20.00
Fiscal 2010	—				
Fiscal 2010 (Projected)		8.00	—	8.00	16.00

(Note) Revision of dividend forecast in the current quarter: None

3. Consolidated Projected Results of Operations during Fiscal Year 2010 (from April 1, 2009 to March 31, 2010)

(The figures in percentages indicate changes from the preceding fiscal year for the year-end and changes from the preceding interim term for the current first half.)

	Net Sales		Operating Income		Ordinary Income		Current Net Income		Current Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Midterm	463,000	13.1	1,800	-58.8	3,300	-46.0	1,700	—	28.96
Year-end	970,000	15.6	6,000	98.5	9,100	39.5	5,000	—	85.16

(Note) Revision of consolidated projected results of operations in the current quarter: None

4. Others

- (1) Changes in material subsidiaries during the term (changes in special subsidiaries accompanying a change in the scope of consolidation): N.A.
- (2) Application of simplified accounting process and application of accounting process which is peculiar to the compilation of consolidated quarterly financial statements: Applicable
(Note) For a detailed description, refer to page three under “4. Others (2)” in “Qualitative Information, Financial Statements and Others.”
- (3) Changes in accounting principles, procedures, presentation methods, etc. concerning the preparation of quarterly consolidated financial statements (to be stated in changes based on the quarterly consolidated financial statements presented)
- (i) Changes due to revision of accounting standards, etc.: N.A.
- (ii) Changes other than (i): N.A.
- (4) Number of shares outstanding (Common stock)
- | | | |
|---|-------------------------------|-------------------|
| (i) Number of shares outstanding at end of fiscal year | First Quarter of Fiscal 2010: | 60,766,622 shares |
| (Including common stock for treasury) | Fiscal 2009: | 60,766,622 shares |
| (ii) Number of treasury stocks at end of fiscal year | First Quarter of Fiscal 2010: | 2,056,465 shares |
| | Fiscal 2009: | 2,056,071 shares |
| (iii) The average number of shares during the first quarter | First Quarter of Fiscal 2010: | 58,710,332 shares |
| | First Quarter of Fiscal 2009: | 57,965,859 shares |

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

- The above forecast figures are based on the information available to the management at the present moment, and therefore actual business results may differ from the above forecast figures due to a variety of factors that may occur in the near future.

For further information concerning the projections above, please refer to Qualitative Information, Financial Statements and Related Items, 3. Qualitative Information on Projected Consolidated Results of Operations on page 4.

[Qualitative Information, Financial Statements and Related Items]

1. Qualitative Information on Consolidated Results of Operations

During the first quarter (April-June) of the fiscal year ending March 2010, the Japanese economy has continued to face a harsh situation including worsened corporate profits and severe employment conditions mainly in export-oriented industries, affected by the serious global recession stemming from the US subprime mortgage crisis.

The pharmaceutical wholesaling industry faced a significant decline in the selling prices for pharmaceuticals beyond its projections and lowered profit rates on a year-on-year basis in the previous fiscal year, the first year of the revision of the NHI Drug Price Standards, which were attributable mainly to hurried activities to correct distribution systems in response to the “emergency proposal” of the Council for Improvements in Pharmaceutical Product Distribution (Ryukaikon) and fierce price competition among wholesalers, in addition to increasing markdown pressures from medical institutions, primarily those from large hospitals.

In the first quarter of fiscal 2010, the second year of the revision of the NHI Drug Price Standards, the pharmaceutical wholesaling industry continued to also face a harsh business environment where markdown pressures from the end of the preceding fiscal year still remained in the market, while the overall market grew modestly by 2.1% compared with the same period of last year (estimated by Crecon Research & Consulting).

Under this business environment and in the first year of the second medium-term management plan, the Toho Group promoted proposal-based marketing that is centered on its unique customer support system having competitive superiority, minimized reductions in wholesale prices with a strictly operating price-lock system, and kept the SGA expenses rate at the same level as the preceding year. As a result, while the amounts of each profit item, except for gross profits, came under those for the same period of the previous year when the adverse effects of the falling selling prices were not significant, the rates for each income exceeded those for the previous fiscal year. The operating results for the first quarter of fiscal 2010 achieved progress by more than 50% of the initial targets for the cumulative second quarter of fiscal 2010. The Company is confident that it was able to take a steady first step towards achieving the management goals for fiscal 2010.

With respect to progress in expanding the Group’s scale of business, the Company started a joint purchasing scheme (provision of products by the Company’s subsidiary Toho Pharmaceuticals Co. Ltd.) in April with Omwell Inc. which is scheduled to become a wholly owned consolidated subsidiary of the Company on October 1, 2009, and Asucome Co., Ltd., whose prospective status as the Company’s consolidated subsidiary is now under negotiation.

Under these circumstances, consolidated net sales for the first quarter of fiscal 2010 increased 27,739 million yen (13.5%) compared with the same period of the previous year, due primarily to the effects from the joint purchase scheme with Omwell and Asucome above, and its growth rate of 13.5% sharply exceeded the average growth rate for the market of 2.1%.

Regarding profits, though the amount of the profits except for the gross profit fell below that in the same period of last year, the gross profit rate, operating income ratio and ordinary income ratio exceeded those for the preceding year, helped mainly by the successful countermeasures above and the increase in the number of consolidated subsidiaries in the dispensing pharmacy business. The Company considers these increased profit rates as a good first step towards an improvement in profits.

Gross profits for the first quarter of fiscal 2010 increased 1,110 million yen from the same period a year earlier and the gross profit rate improved by 0.3% compared with the average gross margin for the preceding year to 7.7%, despite worsening on a year-on-year basis. SGA expenses for the first quarter increased 2,134 million yen against the same period of the preceding year, owing to the increased number of consolidations, while the SGA expenses rate stayed at 7.1%, nearly the same level as the fiscal year 2009. As a result, the operating income decreased 1,023 million yen against the same period a year earlier, but the operating income ratio improved by 0.2% compared with the full-term of fiscal 2009 to 0.6%. Ordinary income decreased 1,123 million yen on a year-on-year basis, while the ordinary income ratio was 0.9, an improvement by 0.1% compared with the full-term of fiscal 2009.

As for extraordinary profits/losses, 427 million yen, the extraordinary income from gains on the sale of investment securities and gains on the revision of the retirement benefits system posted in the first quarter of the previous year disappeared in the first quarter of the current fiscal year. Consequently, net income for the first quarter of fiscal 2010 decreased by 1,025 million yen on a year-on-year basis.

As a result, consolidated net sales for the first quarter of fiscal 2010 stood at 232,903 million yen (up by 13.5% on a year-on-year basis), and consolidated operating income was 1,298 million yen (down by 44.1% on a year-on-year basis). Ordinary income was 2,125 million yen (down by 34.6% on a year-on-year basis), and net income for the first quarter was 1.028 million yen (down by 49.9% on a year-on-year basis).

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

In the pharmaceutical wholesaling operations, net sales for the first quarter were 226,087 million yen, an increase of 11.7% compared with the same period last year and its growth rate exceeded the average growth rate for the market. The operating income was 756 million yen. In addition, net sales include internal sales among the business segments of 6,216 million yen. In the dispensing pharmacy operations, net sales for the first quarter were 12,990 million yen and operating income was 613 million yen. In CRO and SMO operations, net sales for the first quarter were 43 million yen and the operating account was a minus of 104 million yen.

2. Qualitative Information on Consolidated Financial Position

(Assets)

Current assets increased 8.8% from the end of the previous consolidated fiscal year to 332,440 million yen with an increase of cash and deposits of 4,216 million yen, and an increase in bills receivable and accounts receivable of 19,907 million yen, and an increase in products of 6,876 million yen and a decrease in short-term loans receivable of 472 million yen.

Fixed assets increased 8.7% from the end of the previous consolidated fiscal year, to 432,456 million yen, with an increase in goodwill of 7,135 million yen.

As a result, consolidated net assets rose 8.7% from a year earlier, to 432,456 million yen.

(Liabilities)

Current liabilities increased 10.0% from the end of the previous consolidated fiscal year, to 328,883 million yen, principally because of the increase of bills payable and accounts receivable of 22,048 million yen, and an increase in short-term loans payable of 5,036, and an increase in provision for bonuses of 1,373 million yen.

Long-term liabilities increased 16.3% from a year earlier to 24,599 million yen with an increase in long-term of 1,983 million yen and an increase in deferred tax liabilities of 1,210 million yen. As a result, total liabilities increased 10.4% year-on-year to 353,483 million yen.

(Net assets)

Total net assets were up 1.8% from the end of the previous consolidated fiscal year, to 78,973 million yen, with a 437 million yen increase in retained earnings and a 932 million yen increase in valuation difference on available-for-sale securities.

3. Qualitative Information on Projected Consolidated Results of Operations

There are no changes in the Projected Consolidated Results of Operations for the cumulative second quarter of the fiscal year ending March 2010 and the full-term of fiscal 2010 published on May 8, 2009.

4. Others

(1) Changes in material subsidies during the term (changes in special subsidiaries accompanying a change in the scope of consolidation)

Not applicable.

(2) Application of simplified accounting process and application of accounting process which is peculiar to the compilation of consolidated quarterly financial statements

(i) Simplified accounting processing methods

- Method of calculation of estimated doubtful debts in general credits

With the shift to a pure holding company through a corporate split, the Company calculated the actual credit loss rate. Other consolidated subsidiaries calculated the amounts for the allowance for doubtful accounts by using the actual credit loss rates calculated at the end of the preceding fiscal year, since there were no material changes between the actual credit loss rate as of the end of the first quarter of fiscal 2010 and that as of the end of the previous fiscal year.

- Method of evaluating inventory assets

With respect to the calculation of ending inventory for the consolidated first quarter under review, on-site inventory is skipped. Instead, a reasonable method based on the ending on-site inventory for the previous consolidated fiscal year is used to calculate inventory.

In addition, with respect to the devaluation of book value for inventory assets, we used the method to devalue book value by estimating fair selling prices for items the profitability of which has apparently declined.

- Method of calculation of deferred and accrued account items

We use the method to post deferred and accrued account items by estimated amounts based on reasonable calculation methods.

- Methods of calculation of corporate and other taxes, deferred tax assets, and deferred tax liabilities

With respect to the assessment of the collectability of deferred tax assets, the Company adopts the following methods; the method of using forecasts for the future performance and tax planning used for the preceding consolidated fiscal year, in cases where it is considered that there have been no significant changes in the management environment and in the accrual of temporary differences since the end of the preceding consolidated fiscal year, or the method of using revised forecasts for performance and tax planning reflecting significant changes in cases where it is considered that there have been significant changes in the management environment or in the accrual of temporary differences since the end of the preceding consolidated fiscal year.

- Netting of credits, liabilities, and transactions between the Company and its consolidated subsidiaries
(Netting of credits and liabilities between the Company and its consolidated subsidiaries)
If the amount of credits and liabilities differ, the credits and liabilities are netted within a reasonable range without adjusting the differences.
(Netting of transactions between the Company and its consolidated subsidiaries)
If transaction amounts differ, but the significance of the differences is small, the transactions are netted by adjusting to the amount of transaction at the parent company.
 - Erasure of unrealized gains and losses
The amount of inventory assets in the amount of ending inventory in the consolidated this quarter and the profit/loss ratio concerning the transactions are calculated in reasonable estimation.
- (ii) Accounting processing particular to compilation of consolidated quarterly financial statements
Not applicable.
- (3) Changes in accounting principles, procedures, presentation methods, etc., concerning the preparation of quarterly consolidated financial statements
Not applicable.

5. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Million of yen)

	End of consolidated this first quarter (June 30, 2009)	Summarized consolidated balance sheet for the end of the previous consolidated fiscal year (March 31, 2009)
Assets		
Current assets		
Cash on hand and on deposit	17,988	13,772
Notes and accounts receivable	236,698	216,791
Marketable securities	505	500
Products	52,279	45,403
Other	25,449	29,519
Allowance for doubtful receivables	-481	-398
Total current assets	332,440	305,589
Fixed assets		
Property, plant and equipment	46,261	45,166
Intangible fixed assets		
Goodwill	15,533	8,398
Other	2,353	2,462
Total intangible fixed assets	17,887	10,861
Investments and other assets		
Other	38,312	38,175
Allowance for doubtful receivables	-2,444	-1,946
Total investments and other assets	35,867	36,229
Total fixed assets	100,016	92,256
Total assets	432,456	397,845

	End of consolidated this first quarter (June 30, 2009)	Summarized consolidated balance sheet for the end of the previous consolidated fiscal year (March 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable	300,568	278,520
Short-term loans payable	10,582	5,546
Current portion of bonds	6,185	6,169
Income taxes payable	1,193	601
Accrued bonuses	3,927	2,555
Directors' bonuses	39	80
Reserve for sales returns	281	273
Other	6,105	5,339
Total current liabilities	328,883	299,087
Long-term liabilities		
Bonds payable	312	300
Long-term debt	5,746	3,763
Accrued retirement benefits for employees	2,327	2,172
Negative goodwill	2,795	2,926
Other	13,417	11,991
Total long-term liabilities	24,599	21,153
Total liabilities	353,483	320,240
Net assets		
Shareholders' equity		
Common stock	10,649	10,649
Capital surplus	28,062	28,062
Retained earnings	45,570	45,133
Treasury stock	-1,981	-1,980
Total shareholders' equity	82,301	81,865
Unrealized gains on revaluation		
Unrealized gains on available-for-sale securities	1,181	249
Unrealized gains on revaluation of land	-4,572	-4,572
Total unrealized gains on revaluation	-3,390	-4,322
Equity warrants	62	62
Total net assets	78,973	77,605
Total liabilities and net assets	432,456	397,845

(2) Quarterly Consolidated Profit and Loss Statement
[Cumulative period for the consolidated first quarter]

(Million of yen)

	Cumulative period for previous consolidated first quarter (from April 1, 2008 to June 30, 2008)	Cumulative period for this consolidated first quarter (from April 1, 2009 to June 30, 2009)
Net sales	205,163	232,903
Cost of sales	188,375	215,004
Gross income	16,788	17,898
Selling, general and administrative expenses		
Provision for allowances for directors' bonuses and salaries	6,831	7,954
Provision for accrued bonuses	1,246	1,339
Provision for directors' bonuses	18	18
Provision for accrued retirement benefits for employees	40	74
Welfare expenses	1,140	1,321
Vehicle expenses	294	230
Provision of allowance for doubtful accounts	—	17
Depreciation and amortization	501	569
Amortization expenses for goodwill	279	513
Rent	1,140	1,426
Taxes and dues	212	192
Other	2,761	2,941
Total selling, general and administrative expenses	14,465	16,599
Operating income	2,322	1,298
Non-operating income		
Interest income	28	20
Dividend income	209	294
Received commission	465	471
Amortization expenses for negative goodwill	267	340
Equity in earnings of investees	0	1
Other income	177	255
Total non-operating income	1,149	1,383
Non-operating expenses		
Interest expenses	36	71
Loss before deduction of temporary consumption tax payment	170	439
Other expenses	16	46
Total non-operating expenses	223	556
Ordinary income	3,248	2,125

	Cumulative period for previous consolidated first quarter (from April 1, 2008 to June 30, 2008)	Cumulative period for this consolidated first quarter (from April 1, 2009 to June 30, 2009)
Extraordinary gains		
Gain on sales of noncurrent assets	—	29
Gains on sales of investment securities	206	0
Gain on transfer of business	—	27
Gains on revision of retirement benefits system	220	—
Other	2	5
Total extraordinary gains	429	61
Extraordinary losses		
Loss on disposal of fixed assets	19	16
Impairment loss	93	21
Provision of allowance for doubtful accounts for subsidiaries and affiliates	—	173
Other	0	20
Total extraordinary losses	113	231
Income before income taxes	3,565	1,956
Corporate, inhabitant and enterprise taxes	1,851	1,336
Adjustments for income taxes	-403	-409
Total income before income taxes	1,447	927
Minority interests	63	—
Current net income	2,053	1,028

(3) Quarterly Consolidated Statements of Cash Flows

(Million of yen)

	Cumulative period for previous consolidated first quarter (from April 1, 2008 to June 30, 2008)	Cumulative period for this consolidated first quarter (from April 1, 2009 to June 30, 2009)
Cash flows from operating activities		
Income before income taxes	3,565	1,956
Depreciation	501	569
Loss on impairment	93	21
Amortization expenses for goodwill	279	513
Amortization expenses for negative goodwill	-267	-340
Increase (decrease) in accrued employees' retirement benefits	-18	-12
Increase (decrease) in reserve for sales returns	17	7
Increase (decrease) in accrued bonuses	1,203	12,42
Increase (decrease) in accrued directors' bonuses	-34	-40
Increase (decrease) in allowance for doubtful receivables	-60	178
Interest and dividend income	-237	-315
Interest expense	36	71
Loss (profit) on sale excluding fixed assets	19	-12
Loss (profit) on sale and assessment of investment securities	-206	10
Decrease (increase) in trade receivables	-3,399	-16,679
Decrease (increase) in inventories	-592	-6,014
Decrease (increase) in other assets	1,360	53
Increase (decrease) in trade payables	15,129	17,866
Increase (decrease) in other liabilities	-640	-195
Increase (decrease) in accrued consumption taxes	-135	-328
Other loss (profit)	-671	-245
Subtotal	15,942	-1,693
Interest and dividend income	245	341
Interest payment	-31	-64
Payment of income taxes	-2,899	-983
Other	565	601
Net cash provided by operating activities	13,822	-1,799

	Cumulative period for previous consolidated first quarter (from April 1, 2008 to June 30, 2008)	Cumulative period for this consolidated first quarter (from April 1, 2009 to June 30, 2009)
Cash flows from investing activities		
Payment for addition to time deposits	-36	-117
Proceeds from refunds of time deposits	36	131
Payment for acquisition of property, plant and equipment	-386	-261
Proceeds from sale of property, plant and equipment	147	190
Payment for acquisition of intangible assets	-38	-92
Proceeds from sales of intangible assets	—	8
Payment for acquisition of investment securities	-610	-50
Proceeds from sale of investment securities	254	631
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	390
Payment for acquisition of stocks in affiliates	-404	—
Payment for extension of loans	-145	-620
Proceeds from collection of loans	54	81
Other	41	-195
Net cash used in investing activities	-1,087	96
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-1,043	4,097
Proceeds from long-term loans payable	—	2,100
Payment for repayment of long-term debt	-223	-267
Redemption of bonds	—	-100
Payment for acquisition of own stock	-1	-0
Payment for satisfaction of finance lease liabilities	-137	-195
Payment of cash dividends	-457	-587
Payment of cash dividends to minority shareholders	-6	—
Net cash used in financing activities	-1,869	5,046
Increase (decrease) in cash and cash equivalents	10,865	3,344
Cash and cash equivalents at beginning of year	15,851	13,091
Increase in cash and cash equivalents resulting from merger	—	433
Amount of increase (decrease) in cash and cash equivalents due to change in the scope of consolidation	84	410
Cash and cash equivalents at the end of first quarter	26,801	17,279

(4) Notes concerning premise of a going business

Cumulative period for this consolidated first quarter (from April 1, 2009 to June 30, 2009)

This is not applicable.

(5) Segmental Information

[Segmental Information according to Types of Business]

Cumulative period for previous consolidated first quarter (from April 1, 2008 to June 30, 2008)

	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	CRO and SMO (million yen)	Total (million yen)	Eliminations or corporate (million yen)	Consolidated (million yen)
Net Sales						
(1) Net sales to external customers	200,669	4,394	99	205,163	—	205,163
(2) Inter-segment internal net sales or transfers	1,812	—	—	1,812	(1,812)	—
Total	202,481	4,394	99	206,975	(1,812)	205,163
Operating income	2,513	147	-119	2,541	(219)	2,322

(Notes) 1. Business operations are segmented according to the types of products sold and services provided.

2. Major operations of each business segment:

- (1) Pharmaceutical Wholesaling... Sales of pharmaceuticals, narcotics, reagents, etc., and sales of medical devices,
- (2) Dispensing Pharmacy..... National Health Insurance pharmacies, home medical care services, and sales of pharmaceuticals
- (3) CRO and SMO..... SMO and CRO services

Cumulative period for this consolidated first quarter (from April 1, 2009 to June 30, 2009)

	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	CRO and SMO (million yen)	Total (million yen)	Eliminations or corporate (million yen)	Consolidated (million yen)
Net Sales						
(1) Net sales to external customers	219,871	12,988	43	232,903	—	232,903
(2) Inter-segment internal net sales or transfers	6,216	2	—	6,218	(6,218)	—
Total	226,087	12,990	43	239,121	(6,218)	232,903
Operating income	756	613	-104	1,265	33	1,298

(Notes) 1. Business operations are segmented according to the types of products sold and services provided.

2. Major operations of each business segment:

- (1) Pharmaceutical Wholesaling... Sales of pharmaceuticals, narcotics, reagents, etc., and sales of medical devices,
- (2) Dispensing Pharmacy..... National Health Insurance pharmacies, home medical care services, and sales of pharmaceuticals
- (3) CRO and SMO..... SMO and CRO services

[Segmental Information according to Geographical Locations]

Cumulative period for previous consolidated first quarter (from April 1, 2008 to June 30, 2008)

This disclosure is not applicable, because all the Group's consolidated subsidiaries are located in Japan.

Cumulative period for this consolidated first quarter (from April 1, 2008 to June 30, 2008)

This disclosure is not applicable, because all the Group's consolidated subsidiaries are located in Japan.

[Overseas Sales]

Cumulative period for previous consolidated first quarter (from April 1, 2008 to June 30, 2008)

This disclosure is not applicable, because the Group generates no sales outside Japan.

Cumulative period for this consolidated first quarter (from April 1, 2009 to June 30, 2009)

This disclosure is not applicable, because the Group generates no sales outside Japan.

(6) Notes on significant changes in the amount of equity

Cumulative period for this consolidated first quarter (from April 1, 2009 to June 30, 2009)

This is not applicable.