

# Summary of Consolidated Financial Results for the First Quarter of Fiscal 2014

August 1, 2013

Name of Listed Company: TOHO HOLDINGS CO., LTD. Listed: Tokyo Stock Exchange  
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 Quarterly Supplemental Explanatory Material Prepared: None  
 Quarterly Results Briefing Held: None

(Amounts are truncated to the nearest million yen.)

## 1. Consolidated Results of Operations during the First Quarter of Fiscal 2014 (from April 1, 2013 to June 30, 2013)

### (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 2014	289,328	4.2	2,437	12.0	4,211	9.9	2,626	8.9
First Quarter of Fiscal 2013	277,545	4.5	2,176	65.9	3,830	31.9	2,411	24.0

(Note) Comprehensive income: First Quarter of Fiscal 2014: 2,601 million yen (15.3%); First Quarter of Fiscal 2013: 2,255 million yen (-8.5%)

	Current Net Income per Share	Current Net Income per Share - Diluted
	Yen	Yen
First Quarter of Fiscal 2014	36.64	—
First Quarter of Fiscal 2013	32.75	—

(Note) Since the Company changed its method of representation of financial statements since the consolidated first quarter of the fiscal year ending March 2014, financial data for the first quarter of the fiscal year ended March 2013 provide the reclassified figures and percent changes from the previous year by retroactively applying the changes in the method of representation. Operating income before reclassification was 2,893 million yen.

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity per share
	Million yen	Million yen	%
First Quarter of Fiscal 2014	575,226	140,666	24.5
Fiscal 2013	562,668	134,272	23.9

(Reference) Shareholder's equity: First Quarter of Fiscal 2014: 140,666 million yen; Fiscal 2013: 134,272 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 2013	—	8.00	—	8.00	16.00
Fiscal 2014	—				
Fiscal 2014 (Projected)		10.00	—	10.00	20.00

(Note) Revision of the dividend forecasts most recently announced: None

## 3. Consolidated Projected Results of Operations during Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)

(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		Net Income		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Midterm (Amount)	576,000	3.6	5,200	-28.3	8,100	-6.3	4,700	-8.7	63.82
Full year	1,181,000	3.6	14,700	-7.4	20,400	4.2	11,600	0.6	155.45

(Note) 1. Revision of consolidated projected results of operations most recently announced: None

2. The Company changed its method of representation of financial statements since the consolidated first quarter of the fiscal year ending March 2014. If operating income for the full-year of the fiscal year ended March 2013 was calculated based on the reclassified figures, the year-on-year rate of operating income for the full-term would be 11.8%, instead of "a minus 7.4%" as indicated above.

※ Notes

- (1) Changes in material subsidiaries during the first quarter of fiscal 2014: N.A.  
 (Changes in special subsidiaries accompanying a change in the scope of consolidation)  
 Inclusion — ( — ) Exclusion — ( — )
- (2) Application of accounting process which is peculiar to the compilation of consolidated quarterly financial statements: N.A.
- (3) Changes in accounting policies and changes in accounting estimates, and correction and restatement  
 (i) Changes in accounting policies with revisions in the accounting standards, etc.: N.A.  
 (ii) Changes in accounting policies other than those under the item (i): N.A.  
 (iii) Changes in the accounting estimates: N.A.  
 (iv) Correction and Restatement: N.A.

(4) Number of shares outstanding (Common stock)

- (i) Number of shares outstanding at end of fiscal year  
 (Including common stock for treasury)
- (ii) Number of treasury stocks at end of fiscal year
- (iii) The average number of shares during the first quarter

First Quarter of FY2014	78,270,142	FY2013	78,270,142
First Quarter of FY2014	2,670,256	FY2013	7,690,841
First Quarter of FY2014	71,678,996	First Quarter of FY2013	73,652,036

\* Indicates quarterly review procedure implementation status

This quarterly earnings report is exempt from the quarterly review procedure under the Financial Instruments and Exchange Act. The quarterly financial statements are under the quarterly review procedure process at the time of disclosure of this report.

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

Any forward-looking statements contained in this report, including performance projections, are based on information currently available to the Company as well as certain assumptions that the Company determined to be rational at the time of the release of this report, and it is not intended that the Company undertake to achieve such results. Actual results may differ significantly from the projections above, due to a variety of factors. Please refer to Qualitative Information on Projected Consolidated Results of Operations on page 3 of this report (the Attached Document) for the suppositions on which the performance projections are based and points that have to be borne in mind for the use of such projections.

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## 1. Qualitative Information on Financial Results for the First Quarter of Fiscal 2014

### (1) Explanation of Management Results

During the first quarter under review, the market for prescription pharmaceuticals followed a steady, albeit slow, upward path racking up a 1.5% increase from the previous quarter (estimates by Crecon Research & Consulting Inc.) supported by some positive factors including the progressive aging of the population and the sales of new drugs as well as orphan drugs despite the negative impact of the continuing drug cost cutting policy. Under the circumstance above, the TOHO Group has promoted proposal-based marketing and sales by taking advantage of its unique customer support systems in its pharmaceutical wholesaling business. It has also undertaken the expansion of operations and improvements in the efficiency of management as well as adding higher value in the dispensing pharmacy business.

As a result, the Company's operating results for the consolidated cumulative first quarter of the fiscal year ending March 2014 recorded 289,328 million yen for net sales (an increase of 4.2% on a year-on-year basis), 2,437 million yen for operating income (an increase of 12.0% on a year-on-year basis), 4,211 million yen for ordinary income (an increase of 9.9% on a year-on-year basis), and 2,626 million yen for net income (an increase of 8.9% on a year-on-year basis).

Meanwhile, the "loss before deduction of temporary consumption tax payment (non-deductible consumption tax, etc.)" that had traditionally been booked under the classification of "non-operating expenses" has started to be posted under a new accounting treatment employed from the first quarter of the consolidated fiscal year ending March 2014 as "selling, general and administrative (SG&A) expenses." For the purpose of year-on-year comparison, the comparative figure of the previous year has been re-calculated based on the new accounting treatment.

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

In the field of pharmaceutical wholesaling operations, the Company has continued to promote the business model of proposal-based marketing and sales centered on customer support systems, and at the same time, the Company developed a compatibility strategy by achieving a balance with the sales of new products for which the market is expected to grow. Thanks to the pursuit of this "two-pronged strategy", the Company was able to achieve growth that was faster than the market average. In addition, A group-wide effort to expand fee businesses and cut costs was also made. As a result, in the first quarter of the current fiscal year, the pharmaceutical wholesaling business posted net sales of 278,282 million yen (a year-on-year increase of 3.9%) and segment income (operating income) of 2,042 million yen (a year-on-year decrease of 4.3%).

In the field of dispensing pharmacy operations, the Company has promoted the expansion of operations and the efficiency in the businesses of its existing subsidiaries, as well as bringing higher added value to their businesses. As a result, in the first quarter of the current fiscal year, the dispensing pharmacy business posted net sales of 21,081 million yen (a year-on-year increase of 8.2%) and segment income (operating income) of 325 million yen (a year-on-year increase of 425.7%).

In the SMO operations, net sales for the first quarter of fiscal 2014 amounted to 110 million yen (a year-on-year increase of 60.7%) and segment income (operating income) was 59 million yen (a year-on-year increase of 202.0%).

In the information equipment sales operations, net sales for the first quarter of fiscal 2014 totaled 345 million yen (a year-on-year increase of 62.5%), with a segment loss (operating loss) of 11 million yen.

(Note) Segment sales include inter-segment transactions.

## (2) Explanation of Financial Position

### (Assets)

Current assets increased 1.2% from the end of the previous consolidated fiscal year to 415,291 million yen with an increase in notes and accounts receivable-trade of 6,554 million yen, and a decrease in cash and deposits of 2,499 million yen.

Noncurrent assets increased 5.0% from the end of the previous consolidated fiscal year, to 159,935 million yen, with an increase in property, plant and equipment.

As a result, consolidated net assets rose 2.2% from a year earlier, to 575,226 million yen.

### (Liabilities)

Current liabilities increased 0.1% from the end of the previous consolidated fiscal year to 393,938 million yen with an increase of notes and accounts payable-trade of 2,539 million yen, and an increase in provision for bonuses of 1,689 million yen, and a decrease in income taxes payable of 4,653 million yen.

Noncurrent liabilities increased 16.8% from the end of the previous consolidated fiscal year, to 40,621 million yen with an increase in long-term loans payable of 3,918 million yen.

As a result, total liabilities increased 1.4% year-on-year to 434,560 million yen.

### (Net assets)

Total net assets were up 4.8% from the end of the previous consolidated fiscal year to 140,666 million yen with an increase in capital surplus of 1,670 million yen, and a decrease in retained earnings of 1,181 million yen, and a decrease in treasury stock of 5,929 million yen.

## (3) Explanation of Projections of Consolidated Operating Results for Fiscal 2014

There are no changes in the projected consolidated results of operations for the cumulative second quarter of the fiscal year ending March 2014 and the full-term of fiscal 2014 published on May 10, 2013.

Meanwhile, the “loss before deduction of temporary consumption tax payment (non-deductible consumption tax, etc.)” that had traditionally been booked under the classification of “non-operating expenses” has started to be posted under a new accounting treatment employed from the first quarter of the consolidated fiscal year ending March 2014 as “selling, general and administrative (SG&A) expenses.” If operating income for the full-year of the fiscal year ended March 2013 was calculated based on the reclassified figures, the year-on-year rate of operating income for the full-term would be 11.8%, instead of “a minus 7.4%” as indicated above.

## 2. Matters Concerning Summary Information (Notes)

### (1) Changes in Material Subsidiaries during the First Quarter of Fiscal 2014

Not Applicable.

### (2) Application of Accounting Process which is Peculiar to the Compilation of Consolidated Quarterly Financial Statements

Not Applicable.

### (3) Changes in Accounting Policies and Changes in Accounting Estimates, and Correction and Restatement

Not Applicable.

### (4) Additional Information

#### (Change in the Accounting Treatment)

The “loss before deduction of temporary consumption tax payment (non-deductible consumption tax, etc.)” that had traditionally been booked under the classification of “non-operating expenses” has started to be posted under a new accounting treatment employed from the first quarter of the consolidated fiscal year ending March 2014 as “selling, general and administrative (SG&A) expenses.”

The Company has thus far booked expenses such as non-deductible consumption tax as a “loss before deduction of temporary consumption tax payment” under the classification of non-operating expenses because the dispensing pharmacy business had traditionally accounted for a small proportion of total consolidated operations, and accordingly the ratio of such expenses to net sales had been relatively low.

However, judging from the growing scale of the dispensing pharmacy business in the TOHO Group in recent years and the fact that the consumption tax rate is highly likely to be raised in and after April 2014 in a phased manner in accordance with the law on the comprehensive reform of Japan’s social security and tax systems enacted in August 2012, the significance of any non-deductible consumption tax, etc., in terms of its monetary amount is expected to increase from this point onward. Furthermore, as the Company has determined that the operating income into which such expenses are factored is more useful as a management indicator, it has decided to employ from the first quarter of the fiscal year ending March 2014 a new accounting treatment under which such expenses are posted as selling, general and administrative (SG&A) expenses.

The Company has reclassified the consolidated financial statements for the prior consolidated fiscal year to reflect the change in representation.

As a result, consolidated operating income for the cumulative first quarter of the previous year decreased by 716 million yen compared with that before reclassification of the representation method. Meanwhile, neither the ordinary income nor the current net income is affected by the change.

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

(Million of yen)

	Fiscal 2013 (As of March 31, 2013)	End of consolidated this first quarter (June 30, 2013)
<b>Assets</b>		
Current assets		
Cash and deposits	41,119	38,620
Notes and accounts receivable-trade	263,136	269,690
Short-term investment securities	502	502
Merchandise and finished goods	72,356	72,004
Other	33,729	35,224
Allowance for doubtful accounts	-557	-751
<b>Total current assets</b>	<b>410,286</b>	<b>415,291</b>
Noncurrent assets		
Property, plant and equipment	70,710	79,642
Intangible assets		
Goodwill	12,660	12,124
Other	3,026	3,161
<b>Total intangible assets</b>	<b>15,686</b>	<b>15,286</b>
Investments and other assets		
Other	67,966	66,999
Allowance for doubtful accounts	-1,981	-1,993
<b>Total investments and other assets</b>	<b>65,985</b>	<b>65,006</b>
<b>Total noncurrent asset</b>	<b>152,382</b>	<b>159,935</b>
<b>Total assets</b>	<b>562,668</b>	<b>575,226</b>

(Million of yen)

	Fiscal 2013 (As of March 31, 2013)	End of consolidated this first quarter (June 30, 2013)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	363,606	366,146
Short-term loans payable	9,884	10,066
Current portion of bonds	10	10
Income taxes payable	6,465	1,812
Provision for bonuses	3,636	5,325
Provision for directors' bonuses	105	31
Provision for sales returns	299	297
Other	9,604	10,247
<b>Total current liabilities</b>	<b>393,611</b>	<b>393,938</b>
Noncurrent liabilities		
Long-term loans payable	10,474	14,393
Provision for retirement benefits	2,074	1,639
Asset retirement obligations	879	885
Negative goodwill	1,177	987
Other	20,178	22,715
<b>Total noncurrent liabilities</b>	<b>34,785</b>	<b>40,621</b>
<b>Total liabilities</b>	<b>428,396</b>	<b>434,560</b>
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	46,144	47,814
Retained earnings	78,100	76,919
Treasury stock	-9,030	-3,100
<b>Total shareholders' equity</b>	<b>125,864</b>	<b>132,283</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,716	12,691
Revaluation reserve for land	-4,308	-4,308
<b>Total accumulated other comprehensive income</b>	<b>8,407</b>	<b>8,382</b>
<b>Total net assets</b>	<b>134,272</b>	<b>140,666</b>
<b>Total liabilities and net assets</b>	<b>562,668</b>	<b>575,226</b>



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

(Million of yen)

	Cumulative period for previous first quarter (from April 1, 2012 to June 30, 2012)	Cumulative period for this consolidated first quarter (from April 1, 2013 to June 30, 2013)
Net sales	277,545	289,328
Cost of sales	253,238	264,094
Gross profit	24,306	25,233
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	10,431	10,701
Provision for bonuses	1,751	1,857
Provision for directors' bonuses	24	28
Provision for accrued retirement benefits	80	56
Welfare expenses	1,850	1,934
Vehicle expenses	384	376
Provision of allowance for doubtful accounts	-61	-9
Depreciation	687	718
Amortization of goodwill	602	597
Rent expenses	1,782	1,751
Taxes and dues	292	307
Expense before deduction of temporary consumption tax payment	716	758
Other	3,586	3,717
Total selling, general and administrative expenses	22,130	22,795
Operating income	2,176	2,437
Non-operating income		
Interest income	28	22
Dividend income	534	538
Commission fee	663	713
Amortization of negative goodwill	229	214
Equity in earnings of affiliates	12	14
Other	326	481
Total non-operating income	1,796	1,985
Non-operating expenses		
Interest expenses	107	95
Expenses of real estate rent	—	89
Other	35	27
Total non-operating expenses	142	212
Ordinary income	3,830	4,211

(Million of yen)

	Cumulative period for previous consolidated first quarter (from April 1, 2012 to June 30, 2012)	Cumulative period for this consolidated first quarter (from April 1, 2013 to June 30, 2013)
Extraordinary income		
Gain on sales of noncurrent assets	153	211
Gain on redemption of investment securities	258	—
Other	31	12
Total extraordinary income	443	224
Extraordinary loss		
Loss on disposal of noncurrent assets	28	14
Loss on cancellation of leasehold contracts	—	8
Other	60	1
Total extraordinary loss	89	25
Income before income taxes	4,184	4,410
Income taxes-current	2,524	2,010
Income taxes-deferred	-751	-226
Total income taxes	1,772	1,784
Income before minority interests	2,411	2,626
Current net income	2,411	2,626

Quarterly Consolidated Statements of Comprehensive Income  
[Cumulative period for the consolidated first quarter]

(Million of yen)

	Cumulative period for previous consolidated first quarter (from April 1, 2012 to June 30, 2012)	Cumulative period for this consolidated first quarter (from April 1, 2013 to June 30, 2013)
Income before minority interests	2,411	2,626
Other comprehensive income		
Valuation difference on available-for-sale securities	-154	-16
Share of other comprehensive income of associates accounted for using equity method	-1	-7
Total other comprehensive income	-155	-24
Comprehensive income	2,255	2,601
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,255	2,601
Comprehensive income attributable to minority interests	—	—

(3) Notes of Quarterly Consolidated Financial Statements

(Notes Concerning Premise of a Going Business)

Not applicable.

(Notes concerning Material Changes in Shareholders' Equity)

Cumulative period for this consolidated first quarter (from April 1, 2013 to June 30, 2013)

Not applicable

(Segmental Information)

I Cumulative period for previous consolidated first quarter (from April 1, 2012 to June 30, 2012)

1. Information about sales and profit or loss by reportable segment

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales							
(1) Net sales to external customers	257,815	19,484	68	176	277,545	—	277,545
(2) Inter-segment internal net sales or transfers	9,999	4	—	36	10,040	-10,040	—
Total	267,814	19,489	68	212	287,585	-10,040	277,545
Segment income or loss	2,134	61	19	-59	2,156	20	2,176

(Note) 1. Adjustments represent elimination of internal transactions and unrealized profit.

2. The amounts for income or losses in the reportable segments were subsequently adjusted with the amount of operating income on the quarterly consolidated profit and loss statement.

3. As described in (4) Additional Information (Change in the Accounting Treatment) of “2. Matters Concerning Summary Information (Notes)”, the “loss before deduction of temporary consumption tax payment (non-deductible consumption tax, etc.)” that had traditionally been booked under the classification of “non-operating expenses” has started to be posted under a new accounting treatment employed from the first quarter of the consolidated fiscal year ending March 2014 as “selling, general and administrative (SG&A) expenses.”

To reflect the change in the representation method above, the segment income or loss was reclassified as mentioned above.

2. Information about impairment losses on noncurrent assets or goodwill by each business segment

Not applicable.

II Cumulative period for previous consolidated first quarter (from April 1, 2013 to June 30, 2013)

1. Information about sales and profit or loss by reportable segment

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales							
(1) Net sales to external customers	267,911	21,077	110	228	289,328	—	289,328
(2) Inter-segment internal net sales or transfers	10,370	4	—	116	10,492	-10,492	—
Total	278,282	21,081	110	345	299,820	-10,492	289,328
Segment income or loss	2,042	325	59	-11	2,416	21	2,437

(Note) 1. Adjustments represent elimination of internal transactions and unrealized profit.

2. The amounts for income or losses in the reportable segments were subsequently adjusted with the amount of operating income on the quarterly consolidated profit and loss statement.

2. Information about impairment losses on noncurrent assets or goodwill by each business segment

Not applicable