

Summary of Consolidated Financial Results of Fiscal Year Ended March 31, 2018

May 9, 2018

Name of Listed Company: TOHO HOLDINGS CO., LTD. Listed: Tokyo Stock Exchange
 Securities Code Number: 8129 URL: <http://www.tohold.co.jp/en/>
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Planned Date of General Meeting of Shareholders: June 28, 2018 Planned Date of Dividends Payment: June 8, 2018

Planned Date of Filing of Annual Securities: June 28, 2018

Supplemental explanatory materials for the Financial Results: Available

Financial results briefing: Hold (For institutional investors and analysts)

(Amounts are truncated to the nearest million yen.)

1. Consolidated Results of Operations for the March 2018 (from April 1, 2017 to March 31, 2018)

(1) Consolidated Results of Operations

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY Ended March 2018	1,213,342	-1.4	19,016	33.5	25,045	26.2	14,384	1.1
FY Ended March 2017	1,231,046	-5.9	14,244	-50.2	19,844	-42.5	14,225	-34.7

(Note) Comprehensive income: FY Ended March 2018: 22,257 million yen (45.5%); FY Ended March 2017: 15,296 million yen (-31.3%)

	Profit per Share	Profit per Share - Diluted	Return on Equity	Ordinary Income/ Total Assets	Operating Income/ Net Sales
	Yen	Yen	%	%	%
FY Ended March 2018	209.84	190.60	7.3	4.0	1.6
FY Ended March 2017	207.12	188.22	7.8	3.2	1.2

(Reference) Equity in earnings of an affiliate: FY Ended March 2018: 53 million yen; FY Ended March 2017: 48 million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
FY Ended March 2018	646,514	207,772	32.1	3,030.58
FY Ended March 2017	598,871	188,271	31.4	2,736.30

(Reference) Shareholder's equity: FY Ended March 2018: 207,603 million yen; FY Ended March 2017: 188,126 million yen

(3) Consolidated Cash Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
FY Ended March 2018	51,978	-12,448	-3,754	63,671
FY Ended March 2017	16,062	-6,294	-9,900	27,721

2. Payment of Dividends

	Annual Cash Dividend per Share					Total Dividends	Payout Ratio (Consolidated)	Dividends per Net Assets (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY Ended March 2017	—	15.00	—	15.00	30.00	2,060	14.5	1.1
FY Ended March 2018	—	15.00	—	15.00	30.00	2,055	14.3	1.0
FY Ending March 2019 (Projected)	—	15.00	—	15.00	30.00		20.3	

3. Consolidated Projected Results of Operations during Fiscal Year Ending March 2019 (from April 1, 2018 to March 31, 2019)

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Profit per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First Half	579,000	-2.8	4,200	-23.1	7,100	-15.6	4,200	-18.2	61.31
Full Year	1,195,000	-1.5	12,100	-36.4	17,700	-29.3	10,100	-29.8	147.44

※ Notes

- (1) Changes in material subsidiaries during the period (changes in special subsidiaries accompanying with a change in the scope of consolidation) : N.A.
 Inclusion —(—) Exclusion —(—)
- (2) Changes in accounting policies and accounting estimates, and correction and restatement
 (i) Changes in accounting policies accompanying with revisions in accounting standards, etc.: N.A.
 (ii) Changes in accounting policies other than the above item (i): N.A.
 (iii) Changes in the accounting estimates: N.A.
 (iv) Correction and restatement: N.A.

(3) Number of shares outstanding (Common stock)

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

FY Ended March 2018	78,270,142	FY Ended March 2017	78,270,142
FY Ended March 2018	9,767,201	FY Ended March 2017	9,518,069
FY Ended March 2018	68,550,785	FY Ended March 2017	68,681,975

(Reference) Summary of Unconsolidated Financial Results

1. Unconsolidated Results of Operations for Fiscal year ended March 2018 (from April 1, 2017 to March 31, 2018)

(1) Unconsolidated Results of Operations (The figures in percentages indicate changes year-on-year.)

	Net Sales		Operating Income		Ordinary Income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY Ended March 2018	11,398	-36.3	5,575	-58.1	7,887	-44.4	6,275	-56.3
FY Ended March 2017	17,890	90.1	13,301	214.7	14,173	149.4	14,358	137.2

	Profit per Share	Profit per Share - Diluted
	yen	yen
FY Ended March 2018	91.54	83.07
FY Ended March 2017	209.03	189.96

(2) Unconsolidated Financial Position

	Total Asset	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	yen
FY Ended March 2018	181,242	137,006	75.5	1,997.21
FY Ended March 2017	163,573	125,469	76.6	1,822.53

(Reference) Shareholder's Equity FY Ended March 2018: 136,837 million yen FY Ended March 2017: 125,323 million yen

※ The Summary of Consolidated Financial Results of Fiscal Year Ended March 31, 2018 is unaudited information.

※ 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 considers rational at the time of the release of this report, and does not indicate that the Company undertakes to achieve such results. Actual results may differ significantly from the projections above, due to a variety of factors. As for precautions regarding the use of the Performance Projections and the conditions underlying the assumptions for the Performance Projections, refer to Section "1. Summary of Management Results (1) Summary of Management Results for the Current Fiscal Year" on Page 2 of the Attached Document.
- The Company plans to hold a briefing on the financial results for institutional investors and analysts on May 18, 2018. The Company also intends to provide a record of the progress of the session and the outline of the briefing (voice recording), together with the briefing material, on its website promptly after the briefing.

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1. Summary of Management Results

(1) Summary of Management Results for the Current Fiscal Year

(Management Results for the Current Fiscal Year)

In the consolidated fiscal year ended March 31, 2018, the prescription pharmaceuticals market continued to face severe conditions owing to the government's policy to hold down medical expenses through steps such as promoting the use of generic drugs. The Company saw net sales decline slightly from the preceding fiscal year because it was impacted significantly by a contraction of the market for hepatitis C medications, but operating income, ordinary income and profit attributable to owners of the parent all increased.

As a business group involved in medical care, health and nursing care, the Group as a whole has been accelerating the shift to a business model of providing value-added services to solve the problems faced by patients, medical institutions and specialists involved in home medical/nursing care, while optimizing personnel and the organization as well as making efforts to improve profitability by making operations more efficient. At KYOSOMIRAI PHARMA CO., LTD., steps were taken to promote the stable supply of high-quality, high-value-added generic drugs through a business scheme of integrated production and sales that meets customer demand accurately, and, as a result, there were 40 products containing 14 ingredients sold as of the end of the fiscal year under review. Furthermore, the Company has been working to build a high-performance logistics system for supplying pharmaceuticals and other products in a stable manner even during disasters, such as by deciding to construct a comprehensive logistics center inside the Keihin Truck Terminal "DynaBASE", with the aim of bringing the facility on stream in July 2019.

In the consolidated fiscal year ended March 31, 2018, the Company recorded net sales of 1,213,342 million yen (down 1.4% year on year), operating income of 19,016 million yen (up 33.5%), ordinary income of 25,045 million yen (up 26.2%) and profit attributable to owners of the parent of 14,384 million yen (up 1.1%).

The outline of business segment operating results is as follows:

In the wholesale sales of pharmaceuticals business, we focused on securing reasonable profits through steps such as promoting price negotiation using unit prices based on a pricing structure that corresponds to product value. We also positioned our customer support systems as a major pillar of earnings, and made an effort to aggressively increase contracts for an "initial examination reservation service", "ENIFvoice SP+A/ENIFvoice Core", and other services. At the same time, we worked to strengthen relationship with medical institutions through proposal activities. As a result, the wholesale sales of pharmaceuticals business posted net sales were 1,160,739 million yen (a decrease of 1.7% on a year-on-year basis), and segment income (operating income) was 17,155 million yen (an increase of 22.5% on a year-on-year basis).

In the dispensing pharmacies business, we endeavored to improve profitability by further responding to the dispensing fee revision as well as by continuously promoting the standardization and efficiency of store operations through utilization of the Company's customer support systems. As a result, the dispensing pharmacies business posted net sales of 98,019 million yen (an increase of 2.3% on a year-on-year basis), and segment profit (operating income) of 3,564 million yen (an increase 186.5% on a year-on-year basis).

In the Site Management Organization business, consolidated net sales were 323 million yen (an increase 0.3% on a year-on-year basis), and segment profit (operating income) was 89 million yen (an increase of 19.2% on a year-on-year basis).

In the information equipment sales business, net sales were 1,695 million yen (an increase of 5.1% on a year-on-year basis) and segment profit (operating income) was 64 million yen (a decrease of 20.2% on a year-on-year basis).

(Note) Segment net sales include inter-segment transactions.

(Projections for the Next Fiscal Year)

In the prescription pharmaceuticals market that our Company belongs to, the fiscal year under review was a year in which medical fees were revised, and government-mandated drug prices were lowered by 7.48% in April partly owing to a revision in the promotional point-addition system for new drug discovery / off-label drug dissolution under the fundamental reforms of the drug pricing system. Furthermore, market trends remain difficult to predict because the Ministry of Health, Labour and Welfare formulated the Guidelines that Distribution-Related Personnel Should Follow Towards Improving Distribution of Prescription Pharmaceuticals in January 2018 with the aim of ensuring stable distribution of pharmaceutical products.

Amid these conditions, in the wholesale sales of pharmaceuticals business, we will continue to make efforts to secure reasonable profits by conducting price negotiations using unit prices based on a pricing structure that corresponds to the value of individual products, and we will also aim to improve profitability by expanding the fee business through the promotion of customer support systems such as "ENIFvoice Core", a medical bill computer that integrates automatic speech recognition and electronic drug histories, and the "initial examination reservation service". Furthermore, we will endeavor to strengthen the business foundation through steps such as strengthening relations with medical institutions by proposing customer support systems, increasing the number of members in the Kyoso Mirai Group in Pharmacy, and making efforts to improve frequent/rush deliveries.

In addition, we will aim to improve productivity further through the construction of high-performance logistics facilities that contribute to the stable supply of drugs and other products during disasters and improvement in work efficiency at medical institutions. To this end, for example, a new logistics center that realizes further automation through the use of robots is expected to enter operation in Hiroshima in November 2018, and we will construct a

comprehensive logistics center inside the Keihin Truck Terminal “DynaBASE”, which we aim to bring onstream in July 2019.

Also, KYOSOMIRAI PHARMA CO., LTD. will strive to expand the product lineup through steps such as launching new products under its own brand, and by continuing to stably provide high-quality, high-value-added generic drugs, it will resolve the issues that patients and medical institutions face, which will contribute to improving the Company’s earnings.

In the dispensing pharmacies business, we will press ahead with measures to allow each pharmacy to establish functions that correspond to the revision of dispensing fees, and we will work to offer higher value by providing services that are close to community medical care. Furthermore, we will continue to endeavor to improve the efficiency of management and increase profitability through the standardization of store operations and a full review of costs, including the adoption of our customer support system and promotion of automatic ordering.

Accordingly, net sales for the next fiscal year ending March 31, 2019 are projected to be 1,195,000 million yen (a decrease of 1.5% on a year-on-year basis), with the operating income estimated at 12,100 million yen (a decrease of 36.4% on a year-on-year basis), ordinary income, 17,700 million yen (a decrease of 29.3% on a year-on-year basis), and profit attributable to owners of parent, 10,100 million yen (a decrease of 29.8% on a year-on-year basis).

(2) Summary of Financial Position for the Current Fiscal Year

① State of assets, liabilities, and net assets

(i) Assets

Consolidated current assets as of the end of March 2018 increased 7.6% from the end of the previous consolidated fiscal year to 459,556 million yen, due mainly to an increase in cash and deposits of 35,976 million yen.

Non-current assets as of the end of March 2018 increased 8.8% from the end of the previous year to 186,958 million yen, due mainly to an increase in property, plant and equipment of 4,337 million yen, and an increase in investment securities of 12,936 million yen, and a decrease in goodwill of 1,685 million yen.

As a result, consolidated total assets as of the end of March 2018 increased 8.0% from the end of the previous consolidated fiscal year to 646,514 million yen

(ii) Liabilities

Current liabilities increased 6.0% from the end of the previous consolidated fiscal year to 390,827 million yen, owing to an increase in trade notes and accounts payable of 20,139 million yen.

Long-term liabilities increased 14.5% from the end of the previous consolidated fiscal year to 47,914 million yen with an increase in long-term debt of 3,936 million yen, and an increase in deferred tax liabilities of 3,445 million yen.

As a result, total liabilities increased 6.9% year-on-year to 438,741 million yen.

(iii) Net Assets

Total net assets were up 10.4% from the end of the previous consolidated fiscal year to 207,772 million yen, with an increase in retained earnings of 12,194 million yen, and an increase in unrealized gain on the other securities of 7,872 million yen.

② Cash Flows

Cash and cash equivalents (hereinafter referred to as “cash”) during this consolidated fiscal year increased by 35,949 million yen from the end of the previous consolidated fiscal year. As a result, the balance at the end of this consolidated fiscal year totaled 63,671 million yen. The following describes the three categories of consolidated cash positions during this consolidated fiscal year, as well as the factors responsible.

(i) Cash Flows from Operating Activities

Cash flow from operating activities was an inflow of 51,978 million yen (an increase of 35,915 million yen on a year-on-year basis). Although inflow was secured by some positive factors such as net profit before income taxes of 23,196 million yen, depreciation and amortization of 4,498 million yen, amortization of goodwill of 1,957 million yen, decrease in trade notes and accounts receivable of 2,466 million yen, and an increase in trade notes and accounts payable of 20,138 million yen, these were somewhat offset by negative factors including income taxes paid of 4,829 million yen.

(ii) Cash Flows from Investing Activities

Cash flow from investing activities was an outflow of 12,448 million yen (a decrease of 6,153 million yen from the previous fiscal year), which is mainly attributable to payments for purchases of property, plant and equipment of 8,456 million yen, and purchase of investment securities of 3,329 million yen.

(iii) Cash Flows from Financing Activities

Cash flow from financing activities was an outflow of 3,754 million yen (an increase of 6,145 million yen from the previous fiscal year). Positive factor, proceeds from long-term debt of 5,000 million yen, was somewhat offset by negative factors including decrease in short-term bank loans, net of 2,454 million yen, repayments of long-term debt of 1,725 million yen, repayments of finance lease obligations of 1,889 million yen, and cash dividends paid of 2,059 million yen.

(Reference) Trends in key indicators of cash flows

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Shareholder's Equity Ratio (%)	25.4	26.2	27.2	31.4	32.1
Shareholder's Equity Ratio at Market Value (%)	28.4	23.7	25.7	26.7	26.6
Ratio of cash flows to interest-bearing debts (%)	—	104.7	1,148.0	132.2	42.1
Interest Coverage Ratio (times)	—	61.1	7.3	83.0	423.3

Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio at market value: Total market value of stock/Total assets

Ratio of cash flows to interest-bearing debts: Interest-bearing debts/Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities/Interest paid

1. All indicators are calculated using consolidated financial data.
2. The total market value of stock is calculated by multiplying the closing price of stock at the end of the fiscal year by the number of shares outstanding at the end of the fiscal year (after deducting treasury shares).
3. Cash flows from operating activities is the "Cash Flows from Operating Activities" in the Consolidated Statements of Cash Flows. Interest-bearing debt is all the interest-bearing debts in the Consolidated Balance Sheets. Interest paid is the interest payments in the Statements of Consolidated Cash Flows.
4. Neither ratio of cash flows to interest-bearing debts nor interest coverage ratio of the fiscal year ended March 31, 2014 was presented, due to the net cash outflow from operating activities.

(3) Basic Policy of Profit and Dividend Appropriation for the Current Term and Next Term

The Company believes that returning earnings to its shareholders is one of its most important management tasks and recognizes its obligation to improve its earnings per share. With respect to the allocation of earnings, we intend to maintain the basic dividend policy of paying stable dividends. We also seek to retain adequate earnings to augment the Company's earnings structure and to provide for future market fluctuations. The Company decided to pay an annual dividend of 30 yen per share including interim dividend (15 yen per share) for the fiscal year ended March 31, 2018. We plan to pay an interim dividend of 15 yen per share and a year-end dividend of 15 yen per share for the next fiscal year, with an annual dividend per share totaling 30 yen.

(4) Business Risks

The major risks relevant to business operations and other matters of the Company and the Group are described below. Forward-looking statements in this report were determined by the Company at the end of the consolidated fiscal year ended March 31, 2018, and they do not cover all the risks of the businesses and other aspects of the Company and Group.

1. Legal Regulations, etc.

The Group's core businesses and products are governed by applicable laws and regulations including the Act on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices. The Group is engaged in sales and marketing activities, after obtaining necessary approvals, registrations, permits and licenses from such legal regulations. The circumstances regarding approvals and licenses from supervisory authorities may affect the Group's business performance.

2. Ramifications of Revision of the NHI Drug Price Standards and Reform of the Health Insurance Regime

The prescription pharmaceuticals that constitute the Toho Holdings Group's primary line of products are listed in the National Health Insurance Drug Price Standards. The standards provide for the scope of use of pharmaceuticals available under the coverage of health insurance and the prices chargeable for pharmaceuticals administered by medical institutions. This means that basically the NHI Drug Price Standards act as ceilings for the sale prices of ethical pharmaceuticals.

The Ministry of Health, Labor and Welfare carries out a survey on the prevailing prices of prescription pharmaceuticals in the marketplace ("drug price survey" hereinafter) and revises the NHI Drug Price Standards once every two years to reflect its findings. Under fundamental reforms of the drug pricing system in April 2018, the drug price survey and revision of drug price will be conducted annually, so those revisions, in addition to future revisions to NHI Drug Price Standards and reforms of the health insurance regime, could impact the Group's earnings.

3. Unique Business Practices

In the prescription pharmaceutical wholesale industry, which the Group is a part of through its main business, there is a unique form of transactions that has continued from long ago in which pharmaceutical products are delivered to medical institutions and dispensing pharmacies while their prices have not yet been decided, and prices are negotiated later. This practice stems from the understanding that pharmaceutical products are life-related products so deliveries must not be delayed. The government and private sector have been working together to improve this distribution practice, but in cases where negotiations do not go smoothly, the Group books a reasonable estimate of the final price as sales. Cases in which price negotiations drag on for a long period or instances in which the decided prices are different from initial estimates could affect the Group's financial performance.

4. Sales Suspensions, Product Recalls, Etc.

Cases in which sales must be suspended for products handled by the Group or the products need to be recalled or other steps need to be taken owing to unexpected side effects, contamination, etc. could impact the Group's earnings.

5. Dispensing Operations

If any error occurs in dispensing operations due to the characteristics of prescription pharmaceuticals, this may damage human bodies. If a dispensing error occurs due to human error, the pharmacy concerned may not only face claims for substantial damages, but also impair credits within existing customers and the society. In this case, the Group's financial results may be affected according to severity of the error. Furthermore, the Pharmacists Act strictly prohibits any person other than a pharmacist from dispensing, and the Act on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices, Ordinances of the Ministry of Health, Labor and Welfare, etc. rigorously regulate the number of pharmacists stationed in pharmacies. we are unable to secure the necessary number of pharmacists, it may affect the Group's earnings.

Furthermore, the dispensing pharmacies business generates income mainly from the sale of prescription pharmaceuticals based on NHI drug prices as well as dispensing fees and pharmaceutical management fees based on dispensing fee points set forth in the Health Insurance Act. As such, the Group's financial performance may be impacted by revisions of NHI drug prices or dispensing fees; changes to the environment in the industry as a

whole, such as future progress in the separation of dispensing and prescribing functions; and reform of the health insurance regime depending on the contents of the reform.

6. Consumption Tax

Prescription pharmaceuticals that dispensing pharmacies sell to patients are not subject to the consumption tax under the Consumption Tax Act, but prescription pharmaceuticals that dispensing pharmacies buy from wholesalers are subject to the consumption tax under the same law. As such, the dispensing pharmacies business bears the final burden of the consumption tax, and it books the consumption tax as an expense. Therefore, if the consumption tax is revised in the future and NHI drug prices are not revised in accordance with the consumption tax change, then that may affect the Group's earnings.

7. Impairment Losses

Under impairment accounting for fixed assets, the book value of fixed assets is reduced up to the recoverable amount, and the reduction amount is booked as an impairment loss in the same fiscal year. In the case where the profitability of fixed assets owned by the Group decreases or their market value falls sharply, for example, the application of impairment accounting on fixed assets may make it necessary to book an extraordinary loss, and this may affect the Group's financial performance.

8. System Trouble

The Group depends on computer systems and their networks to conduct its operations, so the occurrence of major system problems may affect the Group's earnings.

9. Natural Disasters

As a precaution against natural disasters and other emergencies, the Group has established crisis management frameworks and prepared a complete copy of its mission-critical systems together with peripheral systems. However, a disaster larger than anticipated could have a negative impact on the Group's earnings such as decreased net sales and increased restoration costs.

10. Control of Personal Information

The Group is handling a substantial amount of personal data concerning health professionals and patients. With respect to the personal data on health professionals and patients, if there is any irregularity in handling them, the Group may face more severe impairment of credit and claims for compensation compared with leakage of general personal information, due to its value as an asset and high degree of confidentiality.

2. State of Corporate Group

For the purposes hereof, the Group (TOHO HOLDINGS and its associated companies) or simply the “Group” consists of TOHO HOLDINGS or simply the “Company,” 76 subsidiaries, and 14 affiliates. The Group’s primary business operations and their positions, and their relationships with the segments classified by types of business operations are described below.

In addition, the following 4 divisions are the same as the categories of the segments described in “Segment Information”.

(1) Wholesale Sales of Pharmaceuticals Business

The Company’s 4 consolidated subsidiaries (TOHO PHARMACEUTICAL, Kyushu Toho, SAYWELL, Koyo), 14 unconsolidated subsidiaries and 3 affiliates (Sakai Yakuhin and other two affiliates) purchase pharmaceuticals and health-related products, mainly from pharmaceutical manufacturers, for distribution primarily to hospitals, clinics, and dispensing pharmacies.

As for the products purchased from pharmaceutical manufacturers, etc., the consolidated subsidiaries mentioned above supply these products to 34 subsidiaries (Pharma-Daiwa, J.Mirai Medical, Shimizu Pharmacy, Pharma Mirai, Seiko Medical Brain, VEGA PHARMA, Cure, Aobado, Kosei, and other 25 subsidiaries) and 7 affiliates.

Toho System Service (a consolidated subsidiary) is mainly engaged in mission-critical system operations such as data processing for the Kyoso Mirai Group (the Company, affiliates which are mainly engaged in wholesale sales of pharmaceuticals, and companies that have a business tie-up with the Group). SQUARE·ONE (a consolidated subsidiary) is engaged in real estate agency business.

(2) Dispensing Pharmacies Business

The Company’s 9 consolidated subsidiaries (Pharma-Daiwa, J.Mirai Medical, Shimizu Pharmacy, Pharma Mirai, Seiko Medical Brain, VEGA PHARMA, Cure, Aobado, and Kosei), 25 unconsolidated subsidiaries and 7 affiliates are primarily engaged in health insurance dispensing pharmacies business.

Pharma Cluster (a consolidated subsidiary) is engaged in the management of the dispensing pharmacies business.

(3) Site Management Organization (SMO) Business

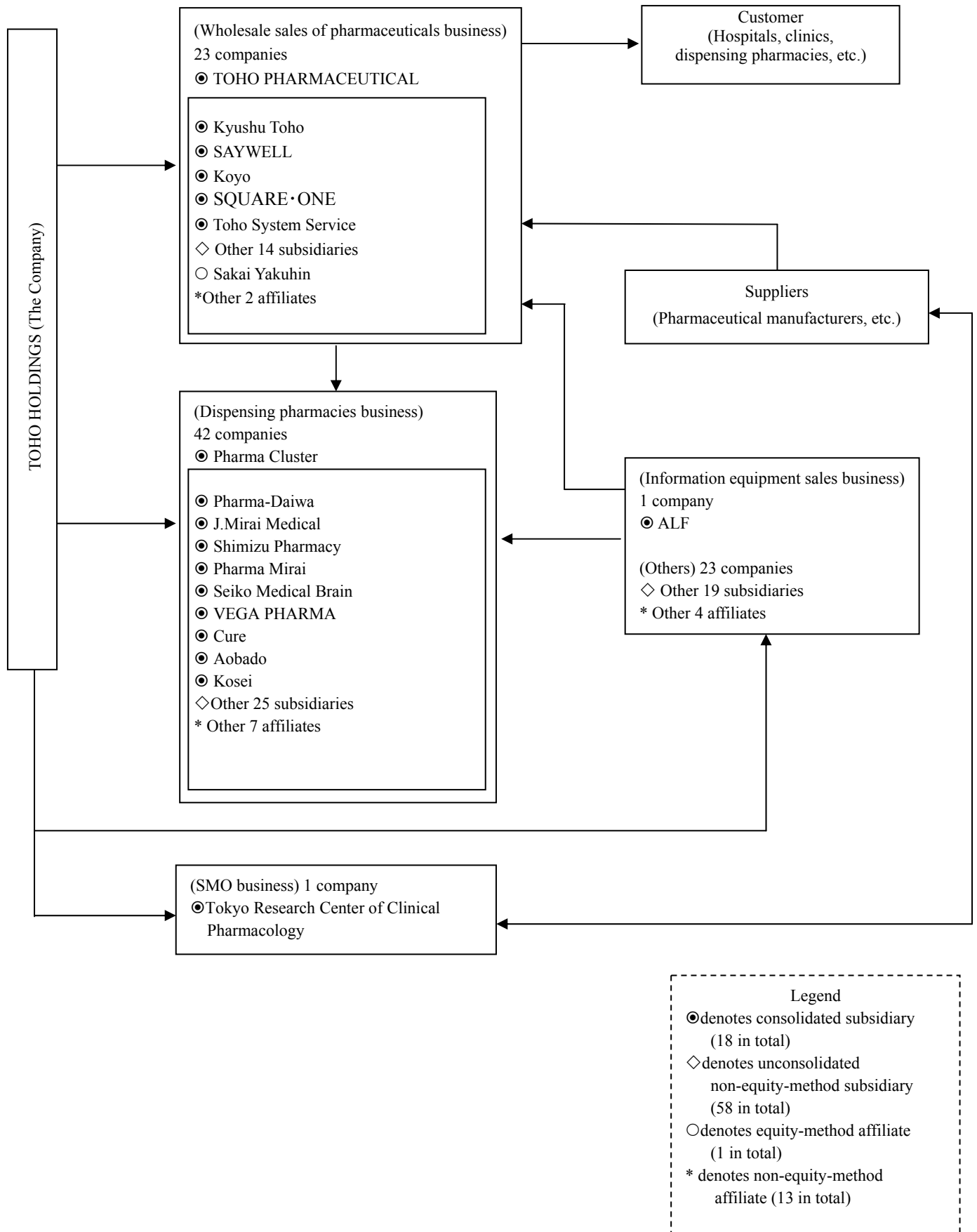
The Tokyo Research Center of Clinical Pharmacology (a consolidated subsidiary) is engaged in support of SMO (Site Management Organization) operations.

(4) Information Equipment Sales Business

ALF (a consolidated subsidiary) is engaged in manufacture and sale of information processing equipment.

Other companies (19 unconsolidated subsidiaries and 4 affiliates) are engaged in operations related to the Company.

Illustrated below is a structure of business relationships between and among the Company and its associated companies.



[State of Associated Companies]

Name	Location	Capital (Million Yen)	Main Business Description	The Company's Voting Ownership (%)	Relationship with the Company
(Consolidated Subsidiaries) TOHO PHARMACEUTICAL	Setagaya-ku, Tokyo	300	Pharmaceutical wholesaling	100.00	Management guidance and real estate rent by the Company. Concurrently hold on the director. Financial support from the Company.
Kyushu Toho	Higashi-ku, Fukuoka City, Fukuoka	522	Pharmaceutical wholesaling	100.00 (100.00)	Pharmaceuticals supplied by TOHO PHARMACEUTICAL, a consolidated subsidiary. Concurrently hold on the director.
SAYWELL	Nishi-ku, Hiroshima City, Hiroshima	95	Pharmaceutical wholesaling	100.00 (100.00)	Pharmaceuticals supplied by TOHO PHARMACEUTICAL, a consolidated subsidiary. Concurrently hold on the director.
Koyo	Takamatsu City, Kagawa	72	Pharmaceutical wholesaling	100.00 (100.00)	Pharmaceuticals supplied by TOHO PHARMACEUTICAL, a consolidated subsidiary. Concurrently hold on the director.
SQUARE-ONE	Setagaya-ku, Tokyo	100	Real estate agency	100.00	Financial support from the Company.
Toho System Service	Setagaya-ku, Tokyo	10	Information processing	100.00	Data processing and software creation for the Group. Distribution of software to medical institutions jointly with the Group. Concurrently hold on the director.
Pharma Cluster	Chiyoda-ku, Tokyo	10	Management of dispensing pharmacies business companies	100.00	Management guidance. Concurrently hold on the director. Financial support from the Company.
Pharma-Daiwa	Minami-ku, Kumamoto City, Kumamoto	100	Operation of dispensing pharmacies	100.00 (100.00)	Pharmaceuticals supplied by a consolidated subsidiary.
J.Mirai Medical	Miyakajima-ku Osaka City, Osaka	100	Operation of dispensing pharmacies	100.00 (100.00)	Pharmaceuticals supplied by a consolidated subsidiary. Financial support from the Company.
Shimizu Pharmacy	Hino City, Tokyo	67	Operation of dispensing pharmacies	100.00	Pharmaceuticals supplied by a consolidated subsidiary.
Pharma Mirai	Setagaya-ku, Tokyo	50	Operation of dispensing pharmacies and small-lot wholesaling of pharmaceuticals	100.00 (100.00)	Pharmaceuticals supplied by a consolidated subsidiary.
Seiko Medical Brain	Higashi-ku, Fukuoka City, Fukuoka	30	Operation of dispensing pharmacies	100.00	Pharmaceuticals supplied by a consolidated subsidiary.
VEGA PHARMA	Fujiidera City, Osaka	10	Operation of dispensing pharmacies	100.00 (100.00)	Pharmaceuticals supplied by a consolidated subsidiary.
Cure	Nagaoka City, Niigata	5	Operation of dispensing pharmacies	100.00 (100.00)	Pharmaceuticals supplied by a consolidated subsidiary.
Aobado	Higashisumiyos hi-ku, Osaka City, Osaka	3	Operation of dispensing pharmacies	100.00	Pharmaceuticals supplied by a consolidated subsidiary.
Kosei	Sumiyoshi-ku, Osaka City, Osaka	3	Operation of dispensing pharmacies	100.00	Pharmaceuticals supplied by a consolidated subsidiary.
Tokyo Research Center of Clinical Pharmacology	Shinjuku-ku, Tokyo	401	Site management organization	100.00	Financial support from the Company.
ALF	Setagaya-ku, Tokyo	90	Manufacture and marketing of information processing equipment	92.32 (0.83)	Distributions of the Group's customer support systems. Concurrently hold on the director. Financial support from the Company.
(Equity-Method Affiliates) Sakai Yakuhin	Mitaka City, Tokyo	60	Pharmaceutical wholesaling	35.00	Pharmaceuticals supplied by TOHO PHARMACEUTICAL, a consolidated subsidiary. Concurrently hold on the director.

- (Note) 1. The indirect ownership % is disclosed in the () of “the Company’s Voting Ownership %”.
2. No subsidiaries and affiliates said above submits registration statements or annual securities reports.
3. TOHO PHARMACEUTICAL is a specified subsidiary.
4. The subsidiaries of which net sales (excluding internal sales to consolidated companies) account for more than 10% of total consolidated sales are TOHO PHARMACEUTICAL and SAYWELL.

Major financial result information

(i) TOHO PHARMACEUTICAL	① Net sales	1,150,817 million yen
	② Ordinary income	17,945 million yen
	③ Profit	15,550 million yen
	④ Net assets	59,585 million yen
	⑤ Total assets	471,054 million yen
(ii) SAYWELL	① Net sales	148,631 million yen
	② Ordinary income	3,106 million yen
	③ Profit	1,886 million yen
	④ Net assets	30,809 million yen
	⑤ Total assets	66,263 million yen

3. Business Management Policy

Setting “Total Commitment to Good Health” as our corporate slogan and under the mission statement, “Working in harmony with society and customers, and jointly creating new value through the provision of original services, thereby contributing to the improvement of medical services for, and health of, people around the world”, the Group always places ultimate priority on patients, makes efforts to create customer value in order to increase customer satisfaction, and aims to improve corporate value and establish a corporate brand in the market.

In order to develop and maintain sustainable social security systems amidst extending healthy life expectancy, super-aging society, and decrease in the total population in Japan, the government is currently moving ahead with measures to build a “community comprehensive healthcare system” and curtail medical expenses. In an effort to reform the medical services provision framework, the focus is shifting away from all-inclusive facility care to all-inclusive community care under the community comprehensive healthcare system.

In addition, when medical fees were revised in April 2018, it was decided as part of initiatives to hold down medical expenses to take steps such as a fundamental overhaul of the promotional point-addition system for new drug discovery / off-label drug dissolution under the fundamental reforms of the drug pricing system, a revision of prices of long-listed drugs, a consolidation of the prices of generic drugs, and a change so that surveys on drug prices and revisions of drug prices are conducted annually. Furthermore, in January 2018, the Guidelines that Distribution-Related Personnel Should Follow Towards Improving Distribution of Prescription Pharmaceuticals were formulated with the aim of ensuring stable distribution of pharmaceutical products.

As seen above, the environment surrounding the healthcare and pharmaceuticals industries has been changing dramatically. Under these circumstances, the Group will, as a corporate group engaged in the areas of medical care, healthcare, and nursing care, respond quickly and appropriately to the rapidly changing environment and tackle cutting-edge challenges ahead of its competitors to make a contribution to the extension of the healthy life expectancy for men and women in Japan and the establishment and maintenance of sustainable social security systems. To this end, we will develop and propose customer support systems which will help patients, medical institutions, specialists in the fields of home and nursing care, etc. to solve their problems. In the dispensing pharmacies business, we will contribute to the establishment of a community comprehensive healthcare system through measures such as propelling pharmacy function reform to transform existing pharmacies into healthcare support pharmacies and promote a shift to a business model that focuses on value-added services useful in a wide range of situations. In anticipation of the era in which generic drugs account for 80% or more of the pharmaceuticals market on a volume basis, we aim to construct a supply chain of integrated manufacture and sales to offer generic drugs whose quality is ensured by independent validation in a stable manner based on an estimate of customer demand. The Group believes this will provide solutions to problems faced by patients and medical institutions and help to increase the Group’s profitability.

Meanwhile, we will put more effort into consolidation and standardization of operations and workforce optimization on a group-wide basis so as to boost productivity, secure stable profits, and increase earnings.

Keenly aware of the public nature of our business as a medical services and healthcare company and our mission as part of the social infrastructure, we will seek to supply safe and secure pharmaceuticals by reviewing our functions from a business continuity perspective without placing the greatest emphasis on economic rationality, and making the investment necessary for ensuring stable pharmaceutical supply during disasters, pandemics, etc. supported by stakeholders’ trust and cooperation.

Through the implementation of the above-mentioned measures, we will strive to become a corporate group relied upon and continuously supported by all stakeholders including patients, customers, local communities, shareholders, and employees.

4. Basic Idea for Selection of Accounting Standards

In order to ensure comparability between companies over time, the Group prepares its consolidated financial statements in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (excluding Chapters 7 and 8) (Ordinance of the Ministry of Finance No. 28 of 1976).

The Group will appropriately apply international accounting standards, while taking domestic and overseas situations into account.

5. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Unit: million yen)

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	*3 31,966	*3 67,943
Trade notes and accounts receivable	284,205	281,657
Inventories	73,575	73,088
Deferred tax assets	1,714	1,831
Purchase rebates receivable	15,824	15,498
Others current assets	20,077	19,815
Allowance for doubtful accounts	-312	-277
Total current assets	427,052	459,556
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	*3 29,787	*3 29,309
Vehicles, net	17	9
Land	*3,*4 43,953	*3,*4 43,593
Leased assets, net	6,831	5,746
Construction in progress	4,753	11,102
Others	1,027	948
Property, plant and equipment, net	*1 86,371	*1 90,709
Intangible assets		
Goodwill	4,300	2,614
Others	2,998	2,545
Total intangible assets	7,298	5,159
Investments and other assets		
Investment securities	*2, *3 68,781	*2, *3 81,718
Long-term loans receivable	2,632	2,619
Deferred tax assets	532	569
Other assets	*2 8,807	*2 8,765
Allowance for doubtful accounts	-2,605	-2,584
Total investments and other assets	78,148	91,088
Total non-current assets	171,818	186,958
Total assets	598,871	646,514

(Unit: million yen)

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Liabilities		
Current liabilities		
Trade notes and accounts payable	*3 349,039	*3 369,179
Short-term borrowings	*5 2,736	*5 282
Current portion of long-term borrowings	*3 1,480	*3 662
Lease obligations	2,193	2,062
Accrued income taxes	3,020	6,335
Accrued expenses	2,323	2,382
Provision for bonuses	3,506	3,541
Provision for directors' bonuses	75	69
Provision for sales returns	324	344
Asset retirement obligations	—	2
Other current liabilities	4,058	5,964
Total current liabilities	368,758	390,827
Long-term liabilities		
Corporate bonds	15,041	15,026
Long-term borrowings	*3 1,962	*3 5,898
Lease obligations	4,545	3,232
Deferred tax liabilities	15,505	18,951
Deferred tax liabilities for land revaluation	*4 885	*4 865
Liability for retirement benefits	1,786	1,918
Asset retirement obligations	1,078	1,093
Negative goodwill	49	24
Other long-term liabilities	987	904
Total long-term liabilities	41,841	47,914
Total liabilities	410,599	438,741
Net assets		
Shareholders' equity		
Common stock	10,649	10,649
Capital surplus	47,856	47,874
Retained earnings	128,123	140,317
Treasury stock	-16,051	-16,612
Total shareholders' equity	170,577	182,228
Accumulated other comprehensive income		
Unrealized gain on other securities	21,836	29,708
Revaluation reserve for land	*4 -4,287	*4 -4,333
Total accumulated other comprehensive income	17,548	25,374
Stock subscription rights	145	168
Total net assets	188,271	207,772
Total liabilities and net assets	598,871	646,514

(2) Consolidated Statements of Income and Statements of Comprehensive Income
Consolidated Statements of Income

(Unit: million yen)

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Net sales	1,231,046	1,213,342
Cost of sales	1,121,182	1,099,149
Gross profit	109,864	114,192
Provision for sales returns	-129	20
Gross profit-net	109,993	114,172
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	44,978	44,628
Provision for bonuses	3,471	3,504
Provision for directors' bonuses	75	69
Retirement benefits expense	249	295
Welfare compensation	7,882	7,947
Transportation expenses	1,097	1,108
Provision of allowance for doubtful accounts	69	17
Depreciation and amortization	4,483	4,498
Amortization of goodwill	2,188	1,957
Rent expenses	6,993	7,060
Taxes and dues	1,733	1,769
Non-deductible temporary paid consumption tax expense	5,218	5,151
Others	17,307	17,146
Total selling, general and administrative expenses	95,749	95,155
Operating income	14,244	19,016
Non-operating income		
Interest income	75	70
Dividends income	1,192	1,582
Research fee income	3,058	3,130
Income from rental properties	1,198	799
Amortization of negative goodwill	26	24
Equity in earnings of an affiliate	48	53
Others	786	939
Total non-operating income	6,386	6,600
Non-operating expenses		
Interest expense	91	50
Commitment fee	48	49
Expenses for rental properties	523	360
Settlement	—	59
Others	123	52
Total non-operating expenses	786	571
Ordinary income	19,844	25,045

(Unit: million yen)

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Extraordinary income		
Gain on sales of fixed assets	*1 2,096	*1 46
Gain on liquidation of subsidiaries and affiliates	—	39
Others	1,047	5
Total extraordinary income	3,143	92
Extraordinary losses		
Loss on disposal of fixed assets	*2 156	*2 119
Loss on impairment of fixed assets	*3 568	*3 469
Impairment loss on investment securities	—	798
Impairment loss on investments in subsidiaries and affiliates	275	548
Others	115	4
Total extraordinary losses	1,116	1,940
Profit before income taxes	21,871	23,196
Current	7,415	9,016
Deferred	230	-204
Total income taxes	7,645	8,812
Profit	14,225	14,384
Profit attributable to owners of parent	14,225	14,384

Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Profit	14,225	14,384
Other comprehensive income		
Unrealized gain on other securities	1,075	7,859
Share of other comprehensive income of an affiliate accounted for by the equity method	-4	13
Total other comprehensive income	*1 1,071	*1 7,872
Comprehensive income	15,296	22,257
Total comprehensive income attributable to:		
Owners of parent	15,296	22,257
Non-controlling interests	—	—

(3) Consolidated Statement of Changes in Shareholders' Equity
 Previous fiscal year (From April 1, 2016 to March 31, 2017)

(Unit: million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the beginning of the period	10,649	47,794	115,938	-16,287	158,094
Changes during the year					
Cash dividends paid			-2,058		-2,058
Profit attributable to owners of parent for the period			14,225		14,225
Purchase of treasury stock				-1	-1
Disposal of treasury stock		—		—	—
Change of scope of consolidation			—		—
Stock exchange		62		237	300
Reversal of revaluation reserve for land			18		18
Net changes in items other than shareholders' equity					
Total changes during the year	—	62	12,184	235	12,483
Balance at the end of period	10,649	47,856	128,123	-16,051	170,577

	Accumulated other comprehensive income			Stock subscription rights	Total net assets
	Unrealized gain on other securities	Revaluation reserve for land	Total accumulated other comprehensive income		
Balance at the beginning of the period	20,764	-4,269	16,495	67	174,656
Changes during the year					
Cash dividends paid					-2,058
Profit attributable to owners of parent for the period					14,225
Purchase of treasury stock					-1
Disposal of treasury stock					—
Change of scope of consolidation					—
Stock exchange					300
Reversal of revaluation reserve for land					18
Net changes in items other than shareholders' equity	1,071	-18	1,053	78	1,132
Total changes during the year	1,071	-18	1,053	78	13,615
Balance at the end of period	21,836	-4,287	17,548	145	188,271

Current fiscal year (From April 1, 2017 to March 31, 2018)

(Unit: million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the beginning of the period	10,649	47,856	128,123	-16,051	170,577
Changes during the year					
Cash dividends paid			-2,059		-2,059
Profit attributable to owners of parent for the period			14,384		14,384
Purchase of treasury stock				-626	-626
Disposal of treasury stock		17		65	83
Change of scope of consolidation			-177		-177
Stock exchange		—		—	—
Reversal of revaluation reserve for land			46		46
Net changes in items other than shareholders' equity					
Total changes during the year	—	17	12,194	-560	11,651
Balance at the end of period	10,649	47,874	140,317	-16,612	182,228

	Accumulated other comprehensive income			Stock subscription rights	Total net assets
	Unrealized gain on other securities	Revaluation reserve for land	Total accumulated other comprehensive income		
Balance at the beginning of the period	21,836	-4,287	17,548	145	188,271
Changes during the year					
Cash dividends paid					-2,059
Profit attributable to owners of parent for the period					14,384
Purchase of treasury stock					-626
Disposal of treasury stock					83
Change of scope of consolidation					-177
Stock exchange					—
Reversal of revaluation reserve for land					46
Net changes in items other than shareholders' equity	7,872	-46	7,826	23	7,849
Total changes during the year	7,872	-46	7,826	23	19,500
Balance at the end of period	29,708	-4,333	25,374	168	207,772

(4) Consolidated Statements of Cash Flows

(Unit: million yen)

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	21,871	23,196
Depreciation and amortization	4,483	4,498
Loss on impairment of fixed Assets	568	469
Amortization of goodwill	2,188	1,957
Amortization of negative goodwill	-26	-24
Increase in net defined benefit liability	72	132
(Decrease) increase in provision for sales returns	-129	20
Increase in provision for bonuses	16	34
Decrease in provision for directors' bonuses	-0	-6
Decrease in allowance for doubtful accounts	-54	-55
Decrease in provision for loss on dissolution of employees' pension fund	-170	—
Interest and dividend income	-1,267	-1,653
Interest expense	91	50
(Gain) loss on sales or disposal of fixed assets, net	-1,939	73
(Gain) loss on sales and valuation of investment securities, net	-1,025	797
Increase in trade notes and accounts receivable	47,053	2,466
Increase in inventories	1,653	499
Increase (decrease) in other assets	227	-284
(Decrease) increase in trade notes and accounts payable	-41,302	20,138
(Decrease) increase in other liabilities	-80	1,349
(Decrease) increase in accrued consumption taxes	-1,002	808
Others	-3,615	-3,570
Subtotal	27,612	50,899
Interest and dividend received	1,257	1,642
Interest paid	-193	-122
Income taxes paid	-17,122	-4,829
Others, net	4,507	4,388
Net cash provided by operating activities	16,062	51,978

(Unit: million yen)

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Cash flows from investing activities		
Payments for time deposits	-1,013	-1,147
Proceeds from withdrawal of time deposits	1,049	1,120
Payments for purchases of property, plant and equipment	-7,159	-8,456
Proceeds from sales of property, plant and equipment	4,195	300
Payments for purchases of intangible assets	-1,402	-550
Proceeds from sales of intangible assets	34	5
Payments for purchases of investment securities	-459	-3,329
Proceeds from sales of investment securities	2,398	4
Payments for purchases of investments in subsidiaries and affiliates	-2,499	-30
Proceeds from sales of investment in subsidiaries and affiliates	—	11
Expenditures on asset retirement obligations	-16	-17
Payments of loans receivable	-1,364	-218
Proceeds from collection of loans receivable	400	93
Others, net	-456	-235
Net cash used in investing activities	-6,294	-12,448
Cash flows from financing activities		
Decrease in short-term bank loans, net	-1,507	-2,454
Proceeds from long-term debt	217	5,000
Repayments of long-term debt	-4,698	-1,725
Purchases of treasury stock	-1	-626
Repayments of finance lease obligations	-1,851	-1,889
Cash dividends paid	-2,058	-2,059
Net cash used in financing activities	-9,900	-3,754
Net (decrease) increase in cash and cash equivalents	-132	35,775
Cash and cash equivalents at beginning of the year	27,854	27,721
Increase in cash and cash equivalents arising from business combination	—	174
Cash and cash equivalents at end of the year	*1 27,721	*1 63,671

(5) Notes to Consolidated Financial Statements

(Notes Regarding the Going Concern Assumption)

This disclosure is not applicable.

(Basis of Presenting Consolidated Financial Statements)

1. Scope of Consolidation

(1) Number of Consolidated Subsidiaries: 18

The identities of primary consolidated subsidiaries are provided in State of Associated Companies of 2. "State of Corporate Group."

(2) Name of Major Unconsolidated Subsidiary

Name of main unconsolidated subsidiary:

Nextit Research Institute Co., Ltd

(Reason for exclusion of scope of consolidation)

The unconsolidated subsidiary is small in size and does not have any significant effect on the Company's consolidated total assets, net sales, consolidated profit, or retained earnings. Moreover, as it is insignificant taken as a whole, it is excluded from the scope of consolidation.

2. Application of Equity Method

(1) Number of Affiliates Accounted for by Equity Method: 1

Names of Primary Affiliates:

Sakai Yakuhin Co., Ltd

(2) State of unconsolidated Subsidiaries and Affiliates Not Accounted for by Equity Method

Names of primary unconsolidated subsidiaries:

Nextit Research Institute Co., Ltd

Names of Primary Affiliates:

Kyoei Yakuhin Co., Ltd

(Reason for non-application of the equity method)

Unconsolidated subsidiary and affiliate not accounted for by the equity method are excluded from being accounted for by equity method, because they individually do not have any significant effect on the Company's consolidated profit or retained earnings, and also are insignificant as a whole.

3. Fiscal Year Adopted by Consolidated Subsidiaries

The fiscal year end of each consolidated subsidiary corresponds to the Company's consolidated fiscal year end.

4. Accounting Principles

(1) Basis and Method of Valuation of Significant Assets

① Securities

Held-to-maturity debt securities

Valued at amortized cost by the straight-line method.

Other securities

With market value:

.....Measured at fair value based on market price as of the end of the fiscal year. (All unrealized gains and losses are included directly in net assets, while the cost of securities sold are determined using the moving-average method.)

Without market value:

.....Measured at cost while the cost of securities sold are determined by the moving-average method.

② Inventories

Inventories of 4 consolidated subsidiaries (TOHO PHARMACEUTICAL Co., Ltd, Kyushu Toho Co., Ltd, SAYWELL Co., Ltd, and Koyo Co., Ltd) are stated at the lower of cost or net realizable value, cost being determined by moving average method.

Inventories of the remaining consolidated subsidiaries are stated at cost determined by the last purchase price method.

(2) Method of Depreciation of Significant Depreciable Assets

① Property, plant, and equipment (excluding leased assets)

Depreciated by the declining-balance method. However, buildings (except for facilities attached to buildings) acquired on and after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on and after April 1, 2016 are depreciated by the straight-line method.

The estimated useful lives of major asset categories are as follows:

Buildings and structures:	8 - 50 years
Vehicles and carriers:	4 - 6 years
Tools, furniture and fixtures:	5 - 15 years

② Intangible assets (excluding leased assets)

Amortized by the straight-line method.

Software for internal use is amortized by the straight-line method over the estimated useful life for internal use purpose (five years).

③ Leased assets

Leased assets related to finance lease transactions that do not transfer the ownership to the lessee:

Leased assets related to finance lease transactions that do not transfer the ownership to the lessee are accounted for by using the straight-line method over their leased periods which are deemed to be their useful life with no residual value.

(3) Principles of Accounting for Significant Allowances and Reserves

① Allowance for doubtful accounts

The allowance for doubtful receivables is provided to cover possible losses in the collection of trade receivables, loans receivable, and others. The actual rate of historical bad debts is used for general receivables. For specific receivables subject to possible losses, the recoverability of individual accounts is assessed to estimate uncollectible amount.

② Provision for bonuses

To provide for bonus payment to employees and directors who hold position as employee, reserve for bonuses is recognized based on the amounts expected to be paid that is afforded by the current fiscal year.

③ Provision for directors' bonuses

To provide for bonus payment to directors, reserve for directors' bonuses is recognized based on the amounts expected to be paid that is afforded by the current fiscal year.

④ Provision for sales returns

To provide for sales return losses, reserve for sales returns is provided based on estimated amounts of loss due to sales returns.

(4) Accounting for retirement benefits

7 consolidated subsidiaries (Square One Co., Ltd, Pharma Daiwa Co., Ltd, J.Mirai Medical Co., Ltd, Pharma Mirai Co., Ltd, VEGA PHARMA Co., Ltd, Tokyo Research Center of Clinical Pharmacology Co., Ltd, and ALF Co., Ltd) adopt the simplified method in calculating projected benefit obligations for lump-sum retirement benefit plans, recognizing liabilities at amounts to be required for voluntary termination at the year-end. The Company and 2 consolidated subsidiaries (TOHO PHARMACEUTICAL and Toho System Service) shifted entirely to a defined contributory pension program. In connection with this shift, they adopted a transitional program to pay retirement-age employees (still active on the payroll at said switchover) lump-sum severance allowances in the amount of a portion of all benefits attributable to past service, upon their retirement. This involved recognition of the relevant retirement benefit liability as of the end of March 31, 2018 to prepare for the payment of retirement benefits to these employees. Actuarial gains or losses are insignificant, and thus recognized as expenses in the fiscal year when accrued.

(5) Amortization Method and Period of Goodwill and Negative Goodwill

Goodwill and negative goodwill that was accumulated up until March 31, 2010, is amortized over periods of five or ten years in equal amounts.

(6) Definition of Cash and Cash Equivalents in Consolidated Statements of Cash Flows

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of changes in value.

(7) Other Important Information for Preparation of Consolidated Financial Statements

Method of Accounting for Consumption Taxes and Others

All financial statement items are net of consumption taxes.

(Change in the Presentation of Consolidated Financial Statements)

The Company presented gain on sales of investment securities as a separate item in “Extraordinary income” for the fiscal year ended March 31, 2017. However, as gains on sales of investment securities falls below 10% of total extraordinary income for the fiscal year ended March 31, 2018, it is presented in “Others”. Reclassification adjustment has been made in the Consolidated Financial Statements for the fiscal year ended March 31, 2017 in response to the change of presentation.

As a result, “Gain on sales of investment securities” under “Extraordinary income” in the Consolidated Statements of Income for the fiscal year ended March 31, 2017 amounting to 1,025 million yen has been reclassified to “Others” under “Extraordinary income”.

(Notes to Consolidated Balance Sheets)

*1 Accumulated depreciation of property, plant and equipment:

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
	47,285 million yen	49,449 million yen

*2 Investments in unconsolidated subsidiaries and affiliates:

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Investment securities	14,662 million yen	13,741 million yen

*3 Assets pledged as collateral and liabilities secured by collateral

Classified assets pledged

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Time deposits	265 million yen	265 million yen
Buildings	3,946 million yen	1,766 million yen
Land	7,283 million yen	4,623 million yen
Investment securities	4,155 million yen	4,681 million yen
Total	15,650 million yen	11,335 million yen

As of March 31, 2017, buildings amounting to 2,134 million yen and land amounting to 2,410 million yen, were pledged as collateral against consolidated subsidiaries’ debts, which the Company has guaranteed for such liabilities.

Liabilities secured by collateral

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Trade notes and accounts payable	19,441 million yen	22,925 million yen
Long-term borrowings (including current portion of long-term borrowings due within one year)	2,232 million yen	1,322 million yen
Total	21,674 million yen	24,247 million yen

*4 Land revaluation

Pursuant to the “Law concerning Land Revaluation” (Act No. 34, issued on March 31, 1998) and the “Law for Partial Revision of Law concerning Land Revaluation” (Act No. 19, issued on March 31, 2001), the Company revalued its land used for business purposes and accordingly recorded the amount of revaluation difference in value, net of “deferred tax liabilities for land revaluation”, in “Revaluation reserve for land” under shareholders’ equity.

• Method of revaluation:

Based on the land tax assessment register specified in Article 2-3 of the Ordinance for Enforcement of Law concerning Land Revaluation (Government Ordinance No. 119, issued on March 31, 1998)

• Date of revaluation:

March 31, 2002

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Unrecognized loss on land	1,793 million yen	1,329 million yen

*5 Certain consolidated subsidiaries have entered into loan commitment agreements with banks to obtain working capital.

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Total loan commitments	14,500 million yen	12,000 million yen
Loans payable outstanding	2,380 million yen	-
Outstanding balance	12,120 million yen	12,000 million yen

In addition, in order to raise funds for general business purposes in an effective manner, the Company had commitment line agreements with banks.

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Total loan commitments	3,000 million yen	1,000 million yen
Loans payable outstanding	-	-
Outstanding balance	3,000 million yen	1,000 million yen

(Notes to Consolidated Statements of Income)

*1 Gain on sales of fixed assets:

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Gain on sale of buildings	1,953 million yen	18 million yen
Gain on sales of land	142 million yen	24 million yen
Gain on sale of furniture and fixtures	0 million yen	3 million yen
Total	2,096 million yen	46 million yen

*2 Loss on disposal of fixed assets:

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Loss on disposal of buildings	103 million yen	90 million yen
Loss on disposal of furniture and fixtures	26 million yen	20 million yen
Loss on disposal of software	1 million yen	1 million yen
Loss on sale of buildings	1 million yen	1 million yen
Loss on sale of land	23 million yen	5 million yen
Loss on sale of vehicles and carriers	-	1 million yen
Total	156 million yen	119 million yen

*3 Impairment loss

The Group recognized impairment losses on the following asset groups during the fiscal year under review.

The Company and its consolidated subsidiaries group assets principally into assets used for business purpose, leased assets and idle assets. For assets used for business purpose, the smallest unit is the asset group is determined based on each office, while the smallest unit for leased assets and idle assets is the individual asset.

Previous fiscal year (From April 1, 2016 to March 31, 2017)

Location	Purpose	Class
Akaduchimachi Pharmacy and other 12 sites	Real estate for business use	Land, buildings and goodwill
Nihonbashikodenma-cho and other 30 sites	Idle real estate	Land, buildings and leasehold right
-	-	Goodwill

The Group reduced the book value of real estates used for business purposes to the recoverable amount due to consecutive losses, and recognized an impairment loss of 129 million yen. It comprised 10 million yen on land, 102 million yen on buildings and 16 million yen on goodwill. The recoverable amount was measured based on the net realizable value. The recoverable amounts were based on the amounts assessed by real estate appraisers, but some assets that were insignificant were based on the value assessed for property tax purpose.

An impairment loss of 78 million yen on idle real estates that were not used for business purposes was recognized due to the decision-making for sales and the continuous decline in market prices. It comprised 39 million yen on land, 8 million yen on buildings and 31 million yen on leasehold right. The Group measured recoverable amounts based on net realizable value. The recoverable amounts were based on the amounts assessed by real estate appraisers, but some assets that were insignificant were based on the tax assessments of fixed assets.

As for goodwill, impairment losses amounting to 360 million yen were fully recognized on the relevant goodwill, since it is considered unlikely to earn profits as initially projected for several consolidated subsidiaries in dispensing pharmacies business.

Current fiscal year (From April 1, 2017 to March 31, 2018)

Location	Purpose	Class
Urasa Pharmacy and other 18 sites	Real estate for business use	Land, buildings and goodwill
Former Oshu Sales Office and other 12 sites	Idle real estate	Land and buildings

The Group reduced the book value of real estates used for business purposes to the recoverable amount due to consecutive losses, and recognized an impairment loss of 284 million yen. It comprised 51 million yen on land, 201 million yen on buildings, and 32 million yen on goodwill. The recoverable amount was measured based on the net realizable value. The recoverable amounts were based on the amounts assessed by real estate appraisers, but some assets that were insignificant were based on the value assessed for tax purpose.

An impairment loss of 184 million yen on idle real estates that were not used for business purposes was recognized due to the decision-making for sales and the continuous decline in market prices. It comprised 125 million yen on land, and 59 million yen on buildings. The Group measured recoverable amounts based on net realizable value. The recoverable amounts were based on the amounts assessed by real estate appraisers, but some assets that were insignificant were based on the tax assessments of fixed assets.

(Notes to Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustments and tax effects regarding other comprehensive income

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Unrealized gain on other securities		
Amount arising during the year	2,402 million yen	11,333 million yen
Reclassification adjustments of gains and losses included in net income	-966 million yen	-0 million yen
Amount before tax effect	1,435 million yen	11,333 million yen
Tax effect	-359 million yen	-3,474 million yen
Unrealized gain on other securities	1,075 million yen	7,859 million yen
Share of other comprehensive income of affiliate accounted for by equity method		
Amount arising during the year	-4 million yen	13 million yen
Total other comprehensive income	1,071 million yen	7,872 million yen

(Notes to Consolidated Statements of Changes in Shareholders' Equity)

Previous fiscal year (From April 1, 2016 to March 31, 2017)

1. Types and total number of outstanding stocks, and types and number of treasury stock

Types of stocks	No. of shares as of end of previous period (in thousand shares)	No. of shares increased during this period (in thousand shares)	No. of shares decreased during this period (in thousand shares)	No. of shares as of the end of this period (in thousand shares)
Outstanding stocks				
Common stock	78,270	—	—	78,270
Total	78,270	—	—	78,270
Treasury stock				
Common stock (Note)	9,657	0	140	9,518
Total	9,657	0	140	9,518

(Note) 1. The increase of 0 thousand shares in treasury common stocks represents the purchase of shares of less than one standard unit.

2. The decrease of 140 thousand shares in treasury common stocks represents a decrease by exchange of the Company's treasury stock for TAISYODO stocks.

2. Stock subscription rights

Account	Description	Types of shares issued	Number of target shares (in thousand shares)				Balance at current period end (million yen)
			As of previous period end	Increase	Decrease	As of current period end	
TOHO HOLDINGS	Euro-Yen convertible corporate bonds due in 2019 with subscription rights to shares (Note 1,2,3)	Common stock	6,756	10	—	6,767	—
	Stock subscription rights as stock options	—	—	—	—	—	145
Total			6,756	10	—	6,767	145

(Note) 1. The number of subscription rights to stocks is the number of shares arrived at on the assumption that such rights are exercised.

2. The liability and equity components of the convertible bonds are not accounted for separately.

3. The increase of 10 thousand shares of the number of subscription rights to shares was due to adjustment of the conversion value in accordance with the provision related to the adjustment of the conversion value in the corporate bond guidebook.

3. Dividends

(1) Dividend payment

Resolution	Type of stocks	Total dividend amount (million yen)	Dividend per share (yen)	Record date	Effective date
May 11, 2016 Board of directors	Common stock	1,029	15	March 31, 2016	June 9, 2016
November 9, 2016 Board of directors	Common stock	1,029	15	September 30, 2016	December 5, 2016

(2) Dividend whose record date falls within this term and whose effective date comes in the next term

Resolution	Type of stocks	Total dividend amount (million yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
May 11, 2017 Board of directors	Common stock	1,031	Retained earnings	15	March 31, 2017	June 9, 2017

Current fiscal year (From April 1, 2017 to March 31, 2018)

1. Types and total number of outstanding stocks, and types and number of treasury stocks

Types of stocks	No. of shares as of end of previous period (in thousand shares)	No. of shares increased during this period (in thousand shares)	No. of shares decreased during this period (in thousand shares)	No. of shares as of the end of this period (in thousand shares)
Outstanding stocks				
Common stock	78,270	—	—	78,270
Total	78,270	—	—	78,270
Treasury stock				
Common stock (Note)	9,518	287	38	9,767
Total	9,518	287	38	9,767

(Note) 1. The increase of 287 thousand shares in treasury common stocks represents an increase as a result of board of directors resolution by 287 thousand shares and an increase of purchase of shares of less than one standard unit.

2. The decrease of 38 thousand shares in treasury common stocks represents a disposal as restricted stock compensation.

2. Stock subscription rights

Account	Description	Types of shares issued	Number of target shares (in thousand stocks)				Balance at current period end (million yen)
			As of previous period end	Increase	Decrease	As of current period end	
TOHO HOLDINGS	Euro-Yen convertible corporate bonds due in 2019 with subscription rights to shares (Note 1,2,3)	Common stock	6,767	16	—	6,784	—
	Stock subscription rights as stock options	—	—	—	—	—	168
Total			6,767	16	—	6,784	168

(Note)1.The number of subscription rights to shares is the number of shares arrived at on the assumption that such rights are exercised.

2.The liability and equity components of the convertible bonds are not accounted for separately.

3.The increase of 16 thousand stocks of the number of subscription rights to shares was due to adjustment of the conversion value in accordance with the provision related to the adjustment of the conversion value in the corporate bond guidebook.

3. Dividends

(1) Dividend payment

Resolution	Type of stocks	Total dividend amount (million yen)	Dividend per share (yen)	Record date	Effective date
May 11, 2017 Board of directors	Common stock	1,031	15	March 31, 2017	June 9, 2017
November 8, 2017 Board of directors	Common stock	1,027	15	September 30, 2017	December 5, 2017

(2) Dividend whose record date falls within this term and whose effective date comes in the next term

Resolution	Type of stocks	Total dividend amount (million yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
May 9, 2018 Board of directors	Common stock	1,027	Retained earnings	15	March 31, 2018	June 8, 2018

(Notes to Consolidated Statements of Cash Flows)

*1 Reconciliation between cash and cash equivalents at the end of the fiscal year and amounts of related accounts in Consolidated Balance Sheet

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Cash and deposits	31,966 million yen	67,943 million yen
Time deposits with a maturity of more than three months or less	-4,244 million yen	-4,271 million yen
Short-term investments (investment securities) with a maturity of three months or less from the date of acquisition	— million yen	— million yen
Cash and cash equivalents	27,721 million yen	63,671 million yen

2 Details of significant non-cash transactions

Previous fiscal year (From April 1, 2016 to March 31, 2017)

The assets and liabilities related to finance leases which were newly recognized in the current period were 1,044 million yen, respectively.

Current fiscal year (From April 1, 2017 to March 31, 2018)

The assets and liabilities related to finance leases which were newly recognized in the current period were 586 million yen, respectively.

(Segment Information)

1. Outline of reportable segments

The reportable segments of the Company are those business units included in the Company for which separate financial information is available and which are subject to regular review by the Board of Directors so that it can make decisions about resources to be allocated to them as well as assess their business performance.

The Group has put the pharmaceutical wholesaling and dispensing pharmacies businesses under the control of respective management companies. Each management company formulates comprehensive domestic strategies, while operating companies are engaged in actual operations.

Meanwhile, in the SMO and information equipment sales businesses, the Company and respective operating companies work together in formulating comprehensive domestic strategies as well as in actual operations.

Accordingly, the Group consists of business segments that are based on sales of prescription pharmaceuticals, medical care-related products and services, etc. and has four reportable segments, namely Wholesale Sales of Pharmaceuticals, Dispensing Pharmacies, Site Management Organization, and Information Equipment Sales.

Each of the segments is engaged in the following operations: Wholesale Sales of Pharmaceuticals, sales of pharmaceuticals, narcotics, reagents, etc., and sales of medical devices; Dispensing Pharmacies, operation of health insurance pharmacy and home medical care business, and pharmaceutical sales; Site Management Organization, site management organization services; and Information Equipment Sales, design and sales of information processing equipment.

2. The calculation method of net sales, profits or losses, assets and other items by reportable segment

The accounting policies for the reportable segments are generally the same as those described in the “Basic Significant Matters Regarding Preparing Consolidated Financial Statements”.

The inter-segment internal net sales or transfers are based on prevailing market prices.

3. Information about sales, profit or loss, asset and other items by reportable segment

Previous fiscal year (from April 1, 2016 to March 31, 2017)

	Reportable segments					Adjustments (million yen) (Note 1)	Consolidated total (million yen) (Note 2)
	Wholesale Sales of Pharmaceuticals (million yen)	Dispensing Pharmacies (million yen)	Site Mangement Organization (million yen)	Information Equipment Sales (million yen)	Total (million yen)		
Net sales							
(1) Sales to external customers	1,133,939	95,457	322	1,327	1,231,046	—	1,231,046
(2) Inter-segment sales	46,700	350	—	286	47,338	-47,338	—
Total	1,180,640	95,807	322	1,614	1,278,384	-47,338	1,231,046
Segment profit	13,998	1,244	74	81	15,399	-1,154	14,244
Segment assets	480,592	44,858	817	2,009	528,277	70,593	598,871
Other items							
Depreciation and amortization	2,512	979	6	27	3,525	957	4,483
Amortization of goodwill	116	2,072	—	—	2,188	—	2,188
Amortization of negative goodwill	—	26	—	—	26	—	26
Loss on impairment of fixed assets	87	481	—	—	568	—	568
Investment in an affiliate accounted for by the equity method	1,407	—	—	—	1,407	—	1,407
Unamortized balance of goodwill	116	4,183	—	—	4,300	—	4,300
Unamortized balance of negative goodwill	—	49	—	—	49	—	49
Capital expenditures	8,030	958	24	310	9,322	3	9,326

(Note) 1. Adjustments comprised the following items:

- (1) The adjustment amounts of segment profits represented the elimination of inter-segment transactions, unrealized profit, and corporate expenses not allocated to any reportable segment.
- (2) The adjustment amounts of segment assets included 87,276 million yen of the corporate assets that are not allocated to any business segment, in addition to the elimination of inter-segment transactions. The corporate assets mainly consist of surplus funds under management (cash and deposits) and long-term investment funds (investment securities and other).

2. The amounts of segment profit were subsequently adjusted with the amount of operating income in the Consolidated Statements of Income.

Current fiscal year (from April 1, 2017 to March 31, 2018)

	Reportable segments					Adjustments (million yen) (Note 1)	Consolidated total (million yen) (Note 2)
	Wholesale Sales of Pharmaceuticals (million yen)	Dispensing Pharmacies (million yen)	Site Management Organization (million yen)	Information Equipment Sales (million yen)	Total (million yen)		
Net sales							
(1) Sales to external customers	1,113,903	97,651	323	1,463	1,213,342	—	1,213,342
(2) Inter-segment sales	46,835	367	—	232	47,435	-47,435	—
Total	1,160,739	98,019	323	1,695	1,260,777	-47,435	1,213,342
Segment profit	17,155	3,564	89	64	20,874	-1,857	19,016
Segment assets	513,326	47,243	934	2,053	563,556	82,957	646,514
Other items							
Depreciation and amortization	2,410	914	7	26	3,359	1,139	4,498
Amortization of goodwill	127	1,830	—	—	1,957	—	1,957
Amortization of negative goodwill	—	24	—	—	24	—	24
Loss on impairment of fixed assets	307	162	—	—	469	—	469
Investment in an affiliate accounted for by the equity method	1,472	—	—	—	1,472	—	1,472
Unamortized balance of goodwill	70	2,544	—	—	2,614	—	2,614
Unamortized balance of negative goodwill	—	24	—	—	24	—	24
Capital expenditures	8,524	534	33	212	9,305	101	9,406

(Note) 1. Adjustments comprised the following items:

- (1) The adjustment amounts of segment profits represented the elimination of inter-segment transactions, unrealized profit, and corporate expenses not allocated to any reportable segment.
 - (2) The adjustment amounts of segment assets included 104,396 million yen of the corporate assets that are not allocated to any business segment, in addition to the elimination of inter-segment transactions. The corporate assets mainly consist of surplus funds under management (cash and deposits) and long-term investment funds (investment securities and other).
2. The amounts of segment profit were subsequently adjusted with the amount of operating income in the Consolidated Statements of Income.

(Related Information)

Previous fiscal year (from April 1, 2016 to March 31, 2017)

1 Information on each product and service

Descriptions are omitted since the net sales of singular products or services to outside customers exceed 90% of the total net sales under the Consolidated Statements of Income.

2 Geographical segment information

(1) Net sales

Not applicable since there are no net sales to overseas customers.

(2) Property, plant and equipment

This disclosure is not applicable since there is no property, plant or equipment located in overseas countries.

3 Principal customer segment information

Among the net sales to outside customers, there are no customers accounting for 10% or more of total net sales in the Consolidated Statements of Income. Consequently, this description is omitted.

Current fiscal year (from April 1, 2017 to March 31, 2018)

1 Information on each product and service

Descriptions are omitted since the net sales of singular products or services to outside customers exceed 90% of the total net sales under the consolidated statements of Income.

2 Geographical segment information

(1) Net sales

Not applicable since there are no net sales to overseas customers.

(2) Property, plant and equipment

This disclosure is not applicable since there is no property, plant or equipment located in overseas countries.

3 Principal customer segment information

Among the net sales to outside customers, there are no customers accounting for 10% or more of total net sales under the Consolidated Statements of Income. Consequently, this description is omitted.

(Information concerning impairment losses for fixed assets by reportable segment)

Previous fiscal year (from April 1, 2016 to March 31, 2017)

This description is omitted since the similar information is disclosed in the segment information above.

Current fiscal year (from April 1, 2017 to March 31, 2018)

This description is omitted since the similar information is disclosed in the segment information above.

(Information on the amortization and unamortized balance of goodwill by reportable segment)

Previous fiscal year (from April 1, 2016 to March 31, 2017)

This description is omitted since the similar information is disclosed in the segment information above.

Current fiscal year (from April 1, 2017 to March 31, 2018)

This description is omitted since the similar information is disclosed in the segment information above.

(Information on the gain on negative goodwill by reportable segment)

Previous fiscal year (from April 1, 2016 to March 31, 2017)

Not applicable.

Current fiscal year (from April 1, 2017 to March 31, 2018)

Not applicable.

(Amounts per Share)

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Net asset per share	2,736.30 yen	3,030.58 yen
Profit attributable to owners of parent per share	207.12 yen	209.84 yen
Diluted profit attributable to owners of parent per share after adjustments on potential shares	188.22 yen	190.60 yen

(Note) 1. The basis of the calculation of profit attributable to owners parent per share and diluted profit attributable to owners parent per share after adjustments on potential shares is as follows:

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Profit attributable to owners parent per share		
Profit attributable to owners of parent (million yen)	14,225	14,384
Amount not attributed to shareholders of common stock (million yen)	—	—
Profit attributable to owners of parent from common stock (million yen)	14,225	14,384
Weighted-average number of shares of common stock outstanding	68,681,975	68,550,785
Diluted profit attributable to owners parent per share after adjustments on potential shares		
Adjustment for profit attributable to owners of parent (million yen)	-10	-10
(Including interest income (after deducting the portion equivalent to tax) (million yen))	(-10)	(-10)
Increase in number of shares of common stock	6,840,534	6,866,525
(Including stock subscription rights)	(72,803)	(82,265)
(Including bonds with stock subscription rights)	(6,767,731)	(6,784,260)
Outline of potential shares not included in calculation of current profit attributable to owners parent per share after adjustments on potential shares due to no dilution effect	—	—

2. The basis of the calculation of the net asset per share is as follows:

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Total net asset on the Consolidated Balance Sheets (million yen)	188,271	207,722
Amounts deducted from total net assets (million yen)	145	168
(Including: Stock subscription rights) (million yen)	(145)	(168)
Net assets available to owners of parent of common stock (million yen)	188,126	207,603
Number of shares of common stock for computation of net asset per share	68,752,073	68,502,941

(Significant Subsequent Events)

Not applicable.

6. Unconsolidated Financial Statements

(1) Balance Sheets

(Unit: million yen)

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	18,203	22,371
Accounts receivable	—	0
Prepaid expenses	66	106
Deferred tax assets	95	59
Other accounts receivable	3,310	3,061
Other current assets	8,916	7,280
Total current assets	30,592	32,879
Non-current assets		
Property, plant and equipment		
Buildings, net	14,559	14,147
Structures, net	503	472
Tools, furniture and fixtures, net	99	77
Land	20,636	20,547
Leased assets, net	745	870
Construction in progress	1,798	5,948
Property, plant and equipment, net	38,343	42,064
Intangible assets		
Leasehold right	12	12
Software	574	512
Others	49	50
Total intangible assets	635	574
Investments and other assets		
Investment securities	54,317	68,132
Shares of subsidiaries and affiliates	31,850	31,245
Investments in capital of subsidiaries and affiliates	612	612
Long-term loans receivable	866	967
Long-term loans receivable from subsidiaries and affiliates	6,230	2,569
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,130	3,500
Long-term prepaid expenses	5	102
Other assets	1,104	1,455
Allowance for doubtful accounts	-2,113	-2,860
Total investments and other assets	94,002	105,724
Total non-current assets	132,980	148,363
Total assets	163,573	181,242

(Unit: million yen)

	Previous fiscal year (As of March 31, 2017)	Current fiscal year (As of March 31, 2018)
Liabilities		
Current liabilities		
Current portion of long-term borrowings	1,160	360
Lease obligations	185	250
Accounts payable-other	346	164
Accrued expenses	57	58
Accrued income taxes	254	184
Accrued consumption taxes	—	24
Deposits received	4,182	8,836
Provision for bonuses	67	70
Provision for directors' bonuses	45	43
Other current liabilities	—	6
Total current liabilities	6,300	9,997
Long-term liabilities		
Corporate bonds	15,041	15,026
Long-term borrowings	400	40
Lease obligations	621	690
Deferred tax liabilities	13,634	17,113
Deferred tax liabilities for land revaluation	885	865
Provision for retirement benefits	13	13
Provision for loss on guarantees	732	—
Asset retirement obligations	281	295
Other long-term liabilities	193	193
Total long-term liabilities	31,803	34,238
Total liabilities	38,103	44,235
Net assets		
Shareholders' equity		
Common stock	10,649	10,649
Capital surplus		
Legal capital surplus	46,177	46,177
Other capital surplus	2,523	2,541
Total Capital surplus	48,700	48,718
Retained earnings		
Legal retained earnings	664	664
Other retained earnings		
Reserve for reduction entry of land	1,599	1,589
General reserve	6,336	6,336
Retained earnings brought forward	50,434	54,707
Total retained earnings	59,034	63,297
Treasury stock	-16,091	-16,652
Total shareholders' equity	102,293	106,013
Valuation and translation adjustments		
Unrealized gain on other securities	27,295	35,135
Revaluation reserve for land	-4,264	-4,310
Total valuation and translation adjustments	23,030	30,824
Stock subscription rights	145	168
Total net assets	125,469	137,006
Total liabilities and net assets	163,573	181,242

(2) Statements of Income

(Unit: million yen)

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Operating revenue		
Income of management guidance	1,255	1,180
Income of real estate rent	2,127	2,114
Dividend income	14,507	8,103
Total operating revenue	17,890	11,398
Operating expenses		
Real estate related expenses	1,419	1,417
General and administrative expenses		
Directors' compensations, salaries and allowances	1,282	1,379
Provision for bonuses	67	70
Provision for directors' bonuses	45	43
Provision for retirement benefits	9	-0
Welfare expenses	145	157
Vehicle expenses	0	1
Provision of allowance for doubtful accounts	58	747
Depreciation	125	364
Rent expenses	194	270
Taxes and dues	290	273
Others	948	1,098
Total operating expenses	4,588	5,822
Operating income	13,301	5,575
Non-operating income		
Interest income	258	140
Dividend income	1,129	1,214
Resarch fee income	94	144
Income from rental properties	8	13
Reversal of provision for loss on guarantees	—	732
Others	174	161
Total non-operating income	1,664	2,405
Non-operating expenses		
Interest expense	82	70
Commitment fee	12	16
Provision for loss on guarantees	695	—
Others	2	6
Total non-operating expenses	792	93
Ordinary income	14,173	7,887

(Unit: million yen)

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Extraordinary income		
Gain on sales of property, plant and equipment	18	0
Gains on sales of investment securities	1,453	—
Total extraordinary income	1,471	0
Extraordinary loss		
Loss on disposal of property, plant and equipment	43	7
Loss on impairment of fixed assets	42	56
Impairment loss on investment securities	—	798
Impairment loss on investments in subsidiaries and affiliates	737	634
Others	1	—
Total extraordinary loss	825	1,497
Profit before income taxes	14,820	6,390
Current	508	86
Deferred	-46	28
Total income taxes and other	461	114
Profit	14,358	6,275

(3) Statement of Changes in Shareholders' Equity
 Previous fiscal year (From April 1, 2016 to March 31, 2017)

(Unit: million yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the beginning of the current period	10,649	46,177	2,461	48,638
Changes during the year				
Cash dividends paid				
Profit				
Reversal of reserve for reduction entry of land				
Purchase of treasury stock				
Disposal of treasury stock			—	—
Stock exchange			62	62
Reversal of revaluation reserve for land				
Net changes in items other than shareholders' equity				
Total changes during the year	—	—	62	62
Balance at the end of period	10,649	46,177	2,523	48,700

	Shareholders' equity						
	Retained earnings					Treasury stock	Total shareholder's equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for reduction entry of land	General reserve	Retained earnings brought forward			
Balance at the beginning of the current period	664	1,672	6,336	38,044	46,716	-16,327	89,677
Changes during the year							
Cash dividends paid				-2,058	-2,058		-2,058
Profit				14,358	14,358		14,358
Reversal of reserve for reduction entry of land		-72		72	—		—
Purchase of treasury stock						-1	-1
Disposal of treasury stock						—	—
Stock exchange						237	300
Reversal of revaluation reserve for land				18	18		18
Net changes in items other than shareholders' equity							
Total changes during the year	—	-72	—	12,390	12,318	235	12,616
Balance at the end of period	664	1,599	6,336	50,434	59,034	-16,091	102,293

	Valuation and translation adjustments			Stock subscription rights	Total net assets
	Unrealized gain on other securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the beginning of the current period	26,582	-4,246	22,335	67	112,079
Changes during the year					
Cash dividends paid					-2,058
Profit					14,358
Reversal of reserve for reduction entry of land					—
Purchase of treasury stock					-1
Disposal of treasury stock					—
Stock exchange					300
Reversal of revaluation reserve for land					18
Net changes in items other than shareholders' equity	712	-18	694	78	773
Total changes during the year	712	-18	694	78	13,389
Balance at the end of period	27,295	-4,264	23,030	145	125,469

Current fiscal year (From April 1, 2017 to March 31, 2018)

(Unit: million yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the beginning of the current period	10,649	46,177	2,523	48,700
Changes during the year				
Cash dividends paid				
Profit				
Reversal of reserve for reduction entry of land				
Purchase of treasury stock				
Disposal of treasury stock			17	17
Stock exchange			—	—
Reversal of revaluation reserve for land				
Net changes in items other than shareholders' equity				
Total changes during the year	—	—	17	17
Balance at the end of period	10,649	46,177	2,541	48,718

	Shareholders' equity						
	Retained earnings					Treasury stock	Total shareholder's equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for reduction entry of land	General reserve	Retained earnings brought forward			
Balance at the beginning of the current period	664	1,599	6,336	50,434	59,034	-16,091	102,293
Changes during the year							
Cash dividends paid				-2,059	-2,059		-2,059
Profit				6,275	6,275		6,275
Reversal of reserve for reduction entry of land		-10		10	—		—
Purchase of treasury stock						-626	-626
Disposal of treasury stock						65	83
Stock exchange						—	—
Reversal of revaluation reserve for land				46	46		46
Net changes in items other than shareholders' equity							
Total changes during the year	—	-10	—	4,273	4,262	-560	3,719
Balance at the end of period	664	1,589	6,336	54,707	63,297	-16,652	106,013

(Unit: million yen)

	Valuation and translation adjustments			Stock subscription rights	Total net assets
	Unrealized gain on other securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the beginning of the current period	27,295	-4,264	23,030	145	125,469
Changes during the year					
Cash dividends paid					-2,059
Profit					6,275
Reversal of reserve for reduction entry of land					—
Purchase of treasury stock					-626
Disposal of treasury stock					83
Stock exchange					—
Reversal of revaluation reserve for land					46
Net changes in items other than shareholders' equity	7,840	-46	7,794	23	7,817
Total changes during the year	7,840	-46	7,794	23	11,536
Balance at the end of period	35,135	-4,310	30,824	168	137,006