

Summary of Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2020

February 13, 2020

Name of Listed Company: TOHO HOLDINGS CO., LTD.

Listed: Tokyo Stock Exchange

Securities Code Number: 8129

URL: <http://www.tohold.co.jp/>

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Scheduled Submission Date for Quarterly Report: February 14, 2020

Planned Date of Dividends Payment: —

Quarterly Supplemental Explanatory Material Prepared: None

Quarterly Results Briefing Held: None

(Amounts are truncated to the nearest million yen.)

1. Consolidated Results of Operations during the Third Quarter of Fiscal Year Ending March 31, 2020 (from April 1, 2019 to December 31, 2019)

(1) Consolidated Results of Operations (Cumulative)

(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	%
Nine Months ended December 2019	968,202	4.4	13,226	28.8	18,000	23.4	11,870	25.6
Nine Months ended December 2018	927,183	0.4	10,270	-7.5	14,592	-7.2	9,451	-4.7

(Note) Comprehensive income: Nine Months ended December 2019: 16,455 million yen (124.8%); Nine Months ended December 2018: 7,320 million yen (-55.4%)

	Current Net Income per Share	Current Net Income per Share - Diluted
	Yen	Yen
Nine Months ended December 2019	172.00	152.20
Nine Months ended December 2018	141.12	121.38

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	Million yen	Million yen	%
Nine Months ended December 2019	716,282	235,870	32.9
Fiscal Year ended March 2019	663,727	213,848	32.2

(Reference) Shareholder's equity: Nine Months ended December 2019: 235,703 million yen; FY ended March 2019: 213,680 million yen.

2. Historical Payment of Dividends

	Annual Cash Dividend per Share				
	End of first quarter	End of first half	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year ended March 2019	—	15.00	—	15.00	30.00
Fiscal Year ending March 2020	—	20.00	—	—	—
Fiscal Year ending March 2020 (Projected)	—	—	—	20.00	40.00

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

Breakdown of cash dividends for the first half of FY ending March 2020: Commemorative dividend: 5yen; Ordinary dividend: 15yen

3. Projected Consolidated Results of Operations during Fiscal Year Ending March 2020 (from April 1, 2019 to March 31, 2020)

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,267,000	3.7	17,100	8.3	24,000	11.9	15,200	9.6	218.07

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

* Notes

- (1) Changes in material subsidiaries during the third quarter ended December 2019: N.A.
 (Changes in special subsidiaries accompanying a change in the scope of consolidation)
 Inclusion — (Company name:) Exclusion —(Company name:)
- (2) Application of accounting process which is peculiar to the compilation of consolidated quarterly financial statements: N.A.
- (3) Changes in accounting policies and changes in accounting estimates, and correction and restatement
 (i) Changes in accounting policies with accompanying 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

(4) Number of shares outstanding (Common stock)

(i) Number of shares outstanding at end of fiscal year (Including common stock for treasury)

Third Quarter ended December 2019	78,270,142	FY ended March 2019	78,270,142
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(ii) Number of treasury stocks at end of fiscal year

Third Quarter ended December 2019	6,489,538	FY ended March 2019	10,120,311
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(iii) The average number of shares during the third quarter

Third Quarter ended December 2019	69,016,497	Third Quarter ended December 2018	66,973,075
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*Summary of Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 2020 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 determined to be rational at the time of the release of this report, and it is not intended that the Company undertake to achieve such results. Actual results may differ significantly from the projections above, due to a variety of factors. Please refer to Qualitative Information on Projected Consolidated Results of Operations on page 3 of this report (the Attached Document) for the suppositions on which the performance projections are based and points that have to be borne in mind for the use of such projections.

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1. Qualitative Information on Financial Results for the Third Quarter ended December 2019

(1) Explanation of Management Results

The prescription pharmaceuticals market during the third quarter of the fiscal year under review faced the NHI drug price revision resulting from an increase in the consumption tax rate in October 2019, which reduced prices by 2.40%. Despite the impact of the drug price revision, the Company achieved favorable results due to sales growth of new drugs such as cancer treatment drugs, specialty pharmaceuticals and pharmaceuticals for rare diseases as well as an expansion of our customer support systems including Initial Examination Reservation Service.

As a corporate group involved in medical care, health and nursing care, the Group as a whole has made a concerted effort to accelerate the shift to a business model centered on value-added services which are actually useful in a wide range of areas, by developing and proposing customer support systems to offer solutions to problems faced by patients and medical institutions, and by contributing to the establishment of community comprehensive healthcare systems. Furthermore, the Company has taken active steps to improve profitability by challenging highly functional logistics, the most appropriate frequency of deliveries and consolidation of generic drugs produced by KYOSOMIRAI PHARMA CO., LTD.

KYOSOMIRAI PHARMA CO., LTD. has continued to endeavor to stably supply high-quality and high-value-added generic drugs as well as to expand the product line-up including the launch of 1 ingredient / 2 products in December 2019. As of the end of December 2019, it dealt with 76 ingredients in 164 generic products.

The Company's consolidated operating results for nine months ended December 31, 2019 recorded 968,202 million yen for net sales (an increase of 4.4% on a year-on-year basis), 13,226 million yen for operating income (an increase of 28.8% on a year-on-year basis), 18,000 million yen for ordinary income (an increase of 23.4% on a year-on-year basis), and 11,870 million yen for profit attributable to owners of parent (an increase of 25.6% on a year-on-year basis). The progress rate compared to the forecasts for the fiscal year ending March 2020 is net sales of 76.4%, operating income of 77.3%, ordinary income of 75.0%, and net income attributable to the shareholders of the parent company of 78.1%.

TOHO PHARMACEUTICAL CO., LTD., one of our consolidated subsidiary, received an onsite inspection by the Japan Fair Trade Commission for suspected violation of the Antimonopoly Act regarding its bidding to supply ethical pharmaceuticals to Japan Community Health care Organization (JCHO) on November 27, 2019. Together with TOHO PHARMACEUTICAL, we are taking this situation seriously and fully cooperating with the investigation by the Japan Fair Trade Commission.

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

In the pharmaceutical wholesaling business, we have made a continued effort to conduct unit price negotiations per single item based on the value of each product and have engaged in activities to promote and enhance sales of our unique customer support systems such as Initial Examination Reservation Service, a centralized administration system of pharmacy operations "Mizar" (which was renamed from ENIF-hombu), ENIFvoice SP+A and ENIFvoice Core. In addition, we have endeavored to strengthen the business foundation through steps such as promoting measures to achieve the most appropriate frequency of deliveries by utilizing the system "Mizar" and building stronger relations with members in the Kyoso Mirai in Pharmacy. As a result, the pharmaceutical wholesaling business posted net sales of 931,788 million yen (an increase of 4.4% on a year-on-year basis) and segment income (operating income) of 13,605 million yen (an increase of 24.0% on a year-on-year basis).

In the dispensing pharmacy business, while responding to the dispensing fee revision, we have strived to improve profitability by increasing management efficiency through standardization of store operations with the adoption of our customer support system such as ENIFvoice SP+A, ENIFvoice Core and the centralized administration system of pharmacy operations "Mizar". We have also upgraded our training programs including those held in hospitals as a measure for a functional shift of pharmacies. Consequently, the dispensing pharmacy business posted net sales of 72,216 million yen (an increase of 3.6% on a year-on-year basis) and segment income (operating income) of 1,782 million yen (an increase of 128.1% on a year-on-year basis).

In the SMO operations, net sales amounted to 191 million yen (a decrease of 18.3% on a year-on-year basis) and segment income (operating income) was 25 million yen (a decrease of 58.0% on a year-on-year basis). In the information equipment sales operations, net sales totaled 958 million yen (an increase of 12.0% on a year-on-year basis), with segment loss (operating loss) of 38 million yen.

(Note) Segment sales include inter-segment transactions.

(2) Explanation of Financial Position

(Assets)

Current assets increased 8.3% from the end of the previous consolidated fiscal year to 518,995 million yen with an increase in cash and deposits of 5,418 million yen, and an increase in notes and accounts receivable-trade of 32,322 million yen.

Noncurrent assets increased 7.0% from the end of the previous consolidated fiscal year to 197,286 million yen with an increase in investment securities of 9,359 million yen.

As a result, consolidated net assets increased 7.9% from the end of the previous consolidated fiscal year to 716,282 million yen.

(Liabilities)

Current liabilities increased 7.3% from the end of the previous consolidated fiscal year to 429,624 million yen with an increase in notes and accounts payable-trade of 37,779 million yen, and a decrease in current portion of bonds of 7,955 million yen.

Noncurrent liabilities increased 2.4% from the end of the previous consolidated fiscal year to 50,786 million yen with an increase in deferred tax liabilities of 1,832 million yen.

As a result, total liabilities increased 6.8% from the end of the previous consolidated fiscal year to 480,411 million yen.

(Net assets)

Total net assets increased 10.3% from the end of the previous consolidated fiscal year to 235,870 million yen with an increase in retained earnings of 9,443 million yen, an increase in valuation difference on available-for-sale securities of 4,584 million yen, and a decrease in treasury stock of 7,291 million yen.

(3) Explanation of Projections of Consolidated Operating Results for Fiscal Year ending March 2020

There are no changes in the projected consolidated results of the full-term of the year published on November 7, 2019.

2. Quarterly Consolidated Financial Statements and Main Notes
(1) Quarterly Consolidated Balance Sheets

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2019)	End of this consolidated third quarter (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	79,607	85,026
Notes and accounts receivable-trade	287,205	319,528
Securities	—	10
Merchandise and finished goods	78,590	78,180
Other	34,233	36,433
Allowance for doubtful accounts	-209	-182
Total current assets	479,427	518,995
Noncurrent assets		
Property, plant and equipment	89,095	93,548
Intangible assets		
Goodwill	1,360	927
Other	2,620	2,663
Total intangible assets	3,981	3,591
Investments and other assets		
Investment securities	80,676	90,036
Other	13,080	12,580
Allowance for doubtful accounts	-2,533	-2,470
Total investments and other assets	91,222	100,146
Total noncurrent assets	184,299	197,286
Total assets	663,727	716,282

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2019)	End of this consolidated third quarter (As of December 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	374,322	412,102
Short-term loans payable	586	613
Current portion of bonds	7,955	—
Income taxes payable	4,204	2,337
Provision for bonuses	3,428	1,642
Provision for directors' bonuses	71	53
Provision for sales returns	349	387
Asset retirement obligations	25	—
Other	9,321	12,488
Total current liabilities	400,265	429,624
Noncurrent liabilities		
Bonds payable	20,083	20,068
Long-term loans payable	5,594	5,429
Net defined benefit liability	1,986	2,036
Asset retirement obligations	1,094	1,136
Negative goodwill	7	—
Other	20,845	22,115
Total noncurrent liabilities	49,612	50,786
Total liabilities	449,878	480,411
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	48,566	49,271
Retained earnings	151,943	161,386
Treasury stock	-20,257	-12,965
Total shareholders' equity	190,902	208,341
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,285	31,869
Revaluation reserve for land	-4,507	-4,507
Total accumulated other comprehensive income	22,777	27,362
Subscription rights to shares	168	167
Total net assets	213,848	235,870
Total liabilities and net assets	663,727	716,282

(2) Quarterly Consolidated Profit and Loss Statement and Quarterly Consolidated Statements of Comprehensive Income
 Quarterly Consolidated Profit and Loss Statement
 [Cumulative Period for the Consolidated Third Quarter]

(Unit: million yen)

	Cumulative period for previous consolidated third quarter (From April 1, 2018 to December 31, 2018)	Cumulative period for this consolidated third quarter (From April 1, 2019 to December 31, 2019)
Net sales	927,183	968,202
Cost of sales	845,007	881,426
Gross profit	82,176	86,776
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	34,671	34,903
Provision for bonuses	1,690	1,632
Provision for directors' bonuses	51	53
Retirement benefit expenses	167	173
Welfare expenses	5,998	6,069
Vehicle expenses	905	824
Provision of allowance for doubtful accounts	-27	-59
Depreciation	3,388	4,078
Amortization of goodwill	1,199	487
Rent expenses	5,360	5,850
Taxes and dues	1,308	1,598
Expense before deduction of temporary consumption tax payment	3,924	4,290
Other	13,265	13,648
Total selling, general and administrative expenses	71,905	73,550
Operating income	10,270	13,226
Non-operating income		
Interest income	62	56
Dividend income	1,115	1,163
Commission fee	2,363	2,409
Amortization of negative goodwill	14	7
Equity in earnings of affiliates	35	64
Other	1,143	1,350
Total non-operating income	4,734	5,050
Non-operating expenses		
Interest expenses	22	22
Expenses of real estate rent	203	193
Other	186	60
Total non-operating expenses	412	276
Ordinary income	14,592	18,000

(Unit: million yen)

	Cumulative period for previous consolidated third quarter (From April 1, 2018 to December 31, 2018)	Cumulative period for this consolidated third quarter (From April 1, 2019 to December 31, 2019)
Extraordinary income		
Gain on sales of noncurrent assets	17	15
Gain on sales of investment securities	0	65
Other	1	15
Total extraordinary income	20	96
Extraordinary loss		
Loss on disposal of noncurrent assets	58	46
Impairment loss	68	107
Loss on valuation of shares of subsidiaries and associates	—	53
Other	12	33
Total extraordinary loss	140	241
Income before income taxes	14,472	17,854
Income taxes-current	4,207	5,829
Income taxes-deferred	813	154
Total income taxes	5,020	5,983
Current net income	9,451	11,870
Profit attributable to owners of parent	9,451	11,870

Quarterly Consolidated Statements of Comprehensive Income
[Cumulative Period for the Consolidated Third Quarter]

(Unit: million yen)

	Cumulative period for previous consolidated third quarter (From April 1, 2018 to December 31, 2018)	Cumulative period for this consolidated third quarter (From April 1, 2019 to December 31, 2019)
Current net income	9,451	11,870
Other comprehensive income		
Valuation difference on available-for-sale securities	-2,132	4,536
Share of other comprehensive income of associates accounted for using equity method	0	47
Total other comprehensive income	-2,131	4,584
Comprehensive income	7,320	16,455
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	7,320	16,455
Comprehensive income attributable to non- controlling interests	—	—

(3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes Concerning Premise of a Going Business)

Not applicable.

(Notes concerning Material Changes in Shareholders' Equity)

Cumulative period for this consolidated third quarter (from April 1, 2019 to December 31, 2019)

Not applicable.

(Segmental Information)

I Cumulative period for previous consolidated third quarter (from April 1, 2018 to December 31, 2018)

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

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note 2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales							
(1) Net sales to external customers	856,834	69,443	234	671	927,183	—	927,183
(2) Inter-segment internal net sales or transfers	35,921	230	—	183	36,335	-36,335	—
Total	892,755	69,674	234	855	963,519	-36,335	927,183
Segment profit	10,976	781	61	-93	11,725	-1,454	10,270

(Note) 1. The amount of the adjustments for segment profits or losses shows the elimination of internal transactions and unrealized profit and corporate expenses not attributable to any reportable segment.

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

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

Not applicable.

II Cumulative period for this consolidated third quarter (from April 1, 2019 to December 31, 2019)

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

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales							
(1) Net sales to external customers	895,312	72,027	191	671	968,202	—	968,202
(2) Inter-segment internal net sales or transfers	36,475	188	—	286	36,951	-36,951	—
Total	931,788	72,216	191	958	1,005,153	-36,951	968,202
Segment profit	13,605	1,782	25	-38	15,374	-2,148	13,226

(Note) 1. The amount of the adjustments for segment profits or losses shows the elimination of internal transactions and unrealized profit and corporate expenses not attributable to any reportable segment.

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

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

Not applicable.