

Summary of Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2019

February 1, 2019

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

Listed: Tokyo Stock Exchange

Securities Code Number: 8129

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

Corporate Representative: Norio Hamada / Chairman of the Board and Representative Director, Chief Executive Officer (CEO)

Contact Representative: Makoto Kawamura / Director and General Manager, Public and Investor Relations Department
TEL: +81-3-6838-2803

Scheduled Submission Date for Quarterly Report: February 14, 2019

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, 2019

(from April 1, 2018 to December 31, 2018)

(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 2018	927,183	0.4	10,270	-7.5	14,592	-7.2	9,451	-4.7
Nine Months ended December 2017	923,450	-1.7	11,107	-1.7	15,718	-0.1	9,916	-2.2

(Note) Comprehensive income: Nine Months ended December 2018: 7,320 million yen (-55.4%); Nine Months ended December 2017: 16,410 million yen (36.3%)

	Current Net Income per Share	Current Net Income per Share - Diluted
	Yen	Yen
Nine Months ended December 2018	141.12	121.38
Nine Months ended December 2017	144.62	131.35

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	Million yen	Million yen	%
Nine Months ended December 2018	686,039	204,279	29.8
Fiscal Year ended March 2018	645,799	207,772	32.1

(Reference) Shareholder's equity: Nine Months ended December 2018: 204,110 million yen; FY ended March 2018: 207,603 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 2018	—	15.00	—	15.00	30.00
Fiscal Year ending March 2019	—	15.00	—		
Fiscal Year ending March 2019 (Projected)				15.00	30.00

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

3. Projected Consolidated 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.)

	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	1,195,000	-1.5	12,100	-36.4	17,700	-29.3	10,100	-29.8	151.53

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

※ Notes

- (1) Changes in material subsidiaries during the third quarter ended December 2018: 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 revisions in the accounting standards, etc.: N.A.
 (ii) Changes in accounting policies other than those under the item (i): N.A.
 (iii) Changes in the accounting estimates: N.A.
 (iv) Correction and Restatement: N.A.

(4) Number of shares outstanding (Common stock)

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

Third Quarter ended December 2018	78,270,142	Fiscal Year ended March 2018	78,270,142
-----------------------------------	------------	------------------------------	------------

(ii) Number of treasury stocks at end of fiscal year

Third Quarter ended December 2018	12,590,833	Fiscal Year ended March 2018	9,767,201
-----------------------------------	------------	------------------------------	-----------

(iii) The average number of shares during the third quarter

Third Quarter ended December 2018	66,973,075	Third Quarter ended December 2017	68,566,442
-----------------------------------	------------	-----------------------------------	------------

*Summary of Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 2019 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 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.

○Contents of Attached Document

1. Qualitative Information on Financial Results for the Third Quarter ended December 2018	2
(1) Explanation of Management Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Projections of Consolidated Operating Results for Fiscal Year Ending March 2019 ..	3
2. Quarterly Consolidated Financial Statements and Main Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Profit and Loss Statement and Quarterly Consolidated Statements of	
Comprehensive Income	6
Quarterly Consolidated Profit and Loss Statement	6
Quarterly Consolidated Statements of Comprehensive Income	8
(3) Notes Concerning Quarterly Consolidated Financial Statements	9
(Notes Concerning Premise of a Going Business)	9
(Notes Concerning Material Changes in Shareholders' Equity)	9
(Additional Information)	9
(Segmental Information)	10

1. Qualitative Information on Financial Results for the Third Quarter ended December 2018

(1) Explanation of Management Results

The prescription pharmaceuticals market during the third quarter of the fiscal year under review continued to face a severe environment as evidenced by the fact that NHI drug prices were slashed by 7.48% on a drug price basis, due primarily to the medical treatment fee revisions in April 2018 and the review of the promotional points addition system for new drug discovery, etc. carried out as part of the drastic reform of the drug pricing system.

The Group, as a corporate group engaged in the areas of medical care, healthcare, and nursing care, is making a concerted effort to accelerate the shift towards 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, medical institutions, etc., and by contributing to the establishment of community comprehensive healthcare systems. In addition, by promoting consolidation and standardization of operations as well as the appropriate allocation of personnel, the Group is striving to improve productivity, secure stable profits and increase profit levels.

In November 2018, TBC Hiroshima started operations as a new highly functional distribution center. We built full-scale systems, with the aim of both further enhancing our productivity by further advancing the automation technology we have developed so far, and even more, fulfilling our social mission of providing a steady supply of pharmaceuticals even during a disaster.

KYOSOMIRAI PHARMA CO., LTD., has been steadily providing high-quality and high-value-added generic drugs, while also expanding and enriching its product lineup. As of the end of February 2019, it dealt with 62 ingredients in 128 products. For reference, since October 1, 2018, marketing approvals for 26 ingredients of prescription pharmaceutical as well as the sales rights for 30 ingredients of prescription pharmaceutical sold by the same company have gradually been succeeded from FUJIFILM Pharma Co., Ltd. to KYOSOMIRAI PHARMA CO., LTD.,. The succession and sales transfer of all products will be completed by April 1, 2019.

The Company's consolidated operating results for nine months ended December 31, 2018 recorded 927,183 million yen for net sales (an increase of 0.4% on a year-on-year basis), 10,270 million yen for operating income (a decrease of 7.5% on a year-on-year basis), 14,592 million yen for ordinary income (a decrease of 7.2% on a year-on-year basis), and 9,451 million yen for profit attributable to owners of parent (a decrease of 4.7% on a year-on-year basis). The progress rate compared to the forecasts for the fiscal year ending March 2019 is net sales of 77.6%, operating income of 84.9%, ordinary income of 82.4%, and net income attributable to the shareholders of the parent company of 93.6%.

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

In the pharmaceutical wholesaling business, we have made an effort to conduct unit price negotiations per single item based on the value of each product and in accordance with the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies. We have also continued to press ahead with measures to decrease the number of express/frequent deliveries which impose a heavy burden on both the Company's and our customers' operations and achieve the most appropriate frequency of deliveries. We have also engaged in activities to promote and enhance sales of the Company's unique customer support systems such as the Appointment service for first patients, ENIFvoice SP+A / ENIFvoice Core and Core-POS.

As a result, the pharmaceutical wholesaling business posted net sales of 892,755 million yen (an increase of 0.8% on a year-on-year basis) and segment income (operating income) of 10,976 million yen (an increase of 9.8% on a year-on-year basis).

In the dispensing pharmacy business, we endeavored to improve profitability by responding to the dispensing fee revision and increasing management efficiency through standardization of store operations and consolidation of some operations into the headquarters. However, adversely affected by the dispensing fee revisions, the dispensing pharmacy business posted net sales of 69,674 million yen (a decrease of 4.9% on a year-on-year basis) and segment income (operating income) of 781 million yen (a decrease of 68.4% on a year-on-year basis).

In the SMO operations, net sales amounted to 234 million yen (an increase of 2.3% on a year-on-year basis) and segment income (operating income) was 61 million yen (an increase of 10.3% on a year-on-year basis). In the information equipment sales operations, net sales totaled 855 million yen (a decrease of 23.9% on a year-on-year basis), with segment loss (operating loss) of 93 million yen.

(Note) Segment sales include inter-segment transactions.

(2) Explanation of Financial Position

(Assets)

Current assets increased 9.8% from the end of the previous consolidated fiscal year to 502,793 million yen with an increase in cash and deposits of 14,977 million yen, and an increase in notes and accounts receivable-trade of 24,675 million yen.

Noncurrent assets decreased 2.6% from the end of the previous consolidated fiscal year to 183,246million yen with a decrease in investment securities of 2,891 million yen.

As a result, consolidated net assets increased 6.2% from the end of the previous consolidated fiscal year to 686,039 million yen.

(Liabilities)

Current liabilities increased 10.4% from the end of the previous consolidated fiscal year to 431,489 million yen with an increase in notes and accounts payable-trade of 34,087 million yen, and an increase in current portion of bonds of 13,413 million yen, and a decrease in income taxes payable of 4,694 million yen.

Noncurrent liabilities increased 6.5% from the end of the previous consolidated fiscal year to 50,271 million yen with an increase in long-term loans payable of 5,062 million yen.

As a result, total liabilities increased 10.0% from the end of the previous consolidated fiscal year to 481,760 million yen.

(Net assets)

Total net assets decreased 1.7% from the end of the previous consolidated fiscal year to 204,279 million yen with an increase in retained earnings of 7,082 million yen, and an increase in treasury stock of 8,605 million yen.

(3) Explanation of Projections of Consolidated Operating Results for Fiscal Year ending March 2019

There are no changes in the projected consolidated results of the full-term of the year published on May 9, 2018.

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

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2018)	End of this consolidated third quarter (As of December 31, 2018)
Assets		
Current assets		
Cash and deposits	67,943	82,921
Notes and accounts receivable-trade	281,657	306,332
Merchandise and finished goods	73,088	80,215
Other	35,313	33,559
Allowance for doubtful accounts	-277	-235
Total current assets	457,724	502,793
Noncurrent assets		
Property, plant and equipment	90,709	90,143
Intangible assets		
Goodwill	2,614	1,734
Other	2,545	2,578
Total intangible assets	5,159	4,312
Investments and other assets		
Investment securities	81,718	78,827
Other	13,071	12,556
Allowance for doubtful accounts	-2,584	-2,593
Total investments and other assets	92,206	88,789
Total noncurrent asset	188,075	183,246
Total assets	645,799	686,039

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2018)	End of this consolidated third quarter (As of December 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	369,179	403,267
Short-term loans payable	944	616
Current portion of bonds	—	13,413
Income taxes payable	6,335	1,640
Provision for bonuses	3,541	1,701
Provision for directors' bonuses	69	51
Provision for sales returns	344	368
Asset retirement obligations	2	—
Other	10,410	10,428
Total current liabilities	390,827	431,489
Noncurrent liabilities		
Bonds payable	15,026	20,088
Long-term loans payable	5,898	5,664
Net defined benefit liabilities	1,918	1,979
Asset retirement obligations	1,093	1,111
Negative goodwill	24	10
Other	23,238	21,416
Total noncurrent liabilities	47,200	50,271
Total liabilities	438,027	481,760
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	47,874	48,077
Retained earnings	140,317	147,400
Treasury stock	-16,612	-25,218
Total shareholders' equity	182,228	180,909
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29,708	27,577
Revaluation reserve for land	-4,333	-4,375
Total accumulated other comprehensive income	25,374	23,201
Subscription rights to shares	168	168
Total net assets	207,772	204,279
Total liabilities and net assets	645,799	686,039

(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, 2017 to December 31, 2017)	Cumulative period for this consolidated third quarter (From April 1, 2018 to December 31, 2018)
Net sales	923,450	927,183
Cost of sales	840,987	845,007
Gross profit	82,462	82,176
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	34,525	34,671
Provision for bonuses	1,684	1,690
Provision for directors' bonuses	51	51
Retirement benefit expenses	165	167
Welfare expenses	5,949	5,998
Vehicle expenses	819	905
Provision of allowance for doubtful accounts	32	-27
Depreciation	3,315	3,388
Amortization of goodwill	1,485	1,199
Rent expenses	5,307	5,360
Taxes and dues	1,289	1,308
Expense before deduction of temporary consumption tax payment	3,966	3,924
Other	12,760	13,265
Total selling, general and administrative expenses	71,355	71,905
Operating income	11,107	10,270
Non-operating income		
Interest income	47	62
Dividend income	1,361	1,115
Commission fee	2,271	2,363
Amortization of negative goodwill	18	14
Equity in earnings of affiliates	41	35
Other	1,313	1,143
Total non-operating income	5,054	4,734
Non-operating expenses		
Interest expenses	40	22
Expenses of real estate rent	283	203
Other	119	186
Total non-operating expenses	443	412
Ordinary income	15,718	14,592

(Unit: million yen)

	Cumulative period for previous consolidated third quarter (From April 1, 2017 to December 31, 2017)	Cumulative period for this consolidated third quarter (From April 1, 2018 to December 31, 2018)
Extraordinary income		
Gain on sales of noncurrent assets	5	17
Gain on liquidation of subsidiaries and affiliates	39	—
Other	5	2
Total extraordinary income	50	20
Extraordinary loss		
Loss on disposal of noncurrent assets	71	58
Impairment loss	48	68
Other	4	12
Total extraordinary loss	124	140
Income before income taxes	15,644	14,472
Income taxes-current	4,920	4,207
Income taxes-deferred	807	813
Total income taxes	5,728	5,020
Current net income	9,916	9,451
Profit attributable to owners of parent	9,916	9,451

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, 2017 to December 31, 2017)	Cumulative period for this consolidated third quarter (From April 1, 2018 to December 31, 2018)
Current net income	9,916	9,451
Other comprehensive income		
Valuation difference on available-for-sale securities	6,492	-2,132
Share of other comprehensive income of associates accounted for using equity method	1	0
Total other comprehensive income	6,494	-2,131
Comprehensive income	16,410	7,320
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	16,410	7,320
Comprehensive income attributable to non-controlling interests	—	—

(3)Notes of Quarterly Consolidated Financial Statements

(Notes Concerning Premise of a Going Business)

Not applicable.

(Notes concerning Material Changes in Shareholders' Equity)

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

Not applicable.

(Additional Information)

The Company has adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 on February 16, 2018) etc. from the beginning of the first quarter of the consolidated fiscal year under review. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.

(Segmental Information)

I Cumulative period for previous consolidated third quarter (from April 1, 2017 to December 31, 2017)

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	849,460	72,987	228	773	923,450	—	923,450
(2) Inter-segment internal net sales or transfers	35,901	283	—	350	36,535	-36,535	—
Total	885,362	73,271	228	1,123	959,985	-36,535	923,450
Segment profit	9,996	2,472	55	-58	12,465	-1,358	11,107

(Note) 1. The amount of the adjustments for segment profits 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, 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) (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	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.