

Summary of Consolidated Financial Results for the First Half of Fiscal Year Ending March 2020

November 7, 2019

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: Nov 14, 2019 Planned Date of Dividends Payment: Dec 6, 2019

Quarterly Supplemental Explanatory Material Prepared: Applicable

Quarterly Results Briefing Held: Applicable (For Institutional Investors and Analysts)

(Amounts are truncated to the nearest million yen.)

1. Consolidated Financial Results for the First Half of the Fiscal Year Ending March 2020

(from April 1, 2019 to September 30, 2019)

(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	%
First Half, FY Ending March 2020	634,050	6.8	7,920	64.9	10,951	42.9	7,121	44.1
First Half, FY Ended March 2019	593,635	-0.4	4,804	-12.0	7,664	-8.8	4,943	-3.7

(Note) Comprehensive income: First Half of FY Ending March 2020: 4,650 million yen (-68.5%); First Half of FY Ended March 2019: 14,765 million yen (137.4%)

	Current Net Income per Share	Current Net Income per Share - Diluted
	Yen	Yen
First Half, FY Ending March 2020	104.37	91.28
First Half, FY Ended March 2019	73.34	63.68

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	Million yen	Million yen	%
First Half, FY Ending March 2020	649,443	222,132	34.2
FY Ended March 2019	663,727	213,848	32.2

(Reference) Shareholder's equity: First Half, FY Ending March 2020: 221,963 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
FY Ended March 2019	—	15.00	—	15.00	30.00
FY Ending March 2020	—	20.00			
FY 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	219.49

(Note) Revision of consolidated projected results of operations most recently announced: Applicable

* Notes

- (1) Changes in material subsidiaries during the first half of fiscal year ending March 2020: N.A.
 (Changes in special subsidiaries accompanying with 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 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

(4) 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 first half

First Half of FY Ending March 2020	78,270,142	FY Ended March 2019	78,270,142
First Half of FY Ending March 2020	8,008,134	FY Ended March 2019	10,120,311
First Half of FY Ending March 2020	68,237,987	First Half of FY Ended March 2019	67,406,951

*Summary of Consolidated Financial Results for the First Half 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 First Half of Fiscal Year Ending March 2020

(1) Explanation of Management Results

The prescription pharmaceuticals market during the first half of the fiscal year under review saw positive growth, despite the impact of the measures to curtail medical expenses including promoting generic drugs use, as a result of an expansion of new drugs as well as temporary demand due to a drug price revision resulting from an increase in the consumption tax rate on October 1, 2019. All of net sales, operating income, ordinary income and profit attributable to owners of parent were considerably higher than the company's initial projection thanks to sales growth of new drugs such as cancer treatment drugs, specialty pharmaceuticals and pharmaceuticals for rare diseases and an expansion of our customer support systems.

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 / 4 products in June 2019 and 1 ingredient / 2 products in September 2019. As of the end of September 2019, it dealt with 75 ingredients in 162 generic products.

The Company's operating results for the consolidated first half of the fiscal year ending March 2020 recorded 634,050 million yen for net sales (an increase of 6.8% on a year-on-year basis), 7,920 million yen for operating income (an increase of 64.9% on a year-on-year basis), 10,951 million yen for ordinary income (an increase of 42.9% on a year-on-year basis), and 7,121 million yen for profit attributable to owners of parent (an increase of 44.1% on a year-on-year basis). The progress rate compared to the forecasts for the fiscal year ending March 2020 is net sales of 51.8%, operating income of 52.8%, ordinary income of 50.2%, and net income attributable to the shareholders of the parent company of 52.4%.

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 have engaged in activities to promote and enhance sales of our unique customer support systems such as Initial Examination Reservation Service, ENIF-hombu, ENIFvoice Core and Core-POS. Furthermore, we have endeavored to strengthen the business foundation through steps such as promoting measures to achieve the most appropriate frequency of deliveries and building stronger relations with members in the Kyoso Mirai in Pharmacy. In addition, affected by the surge in demand before the drug price revision accompanying the consumption tax rate hikes, as a result of the first half of the current fiscal year, the pharmaceutical wholesaling business posted net sales of 609,955 million yen (an increase of 6.8% on a year-on-year basis) and segment income (operating income) of 8,115 million yen (an increase of 47.6% 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 by the adoption of our customer support system such as ENIFvoice SP+A, ENIFvoice Core and ENIF-hombu. We have also upgraded our training programs as a measure for a functional shift of pharmacies. Consequently in the first half of the current fiscal year, the dispensing pharmacy business posted net sales of 47,714 million yen (an increase of 5.0% on a year-on-year basis) and segment income (operating income) of 1,358 million yen (an increase of 573.5% on a year-on-year basis).

In the SMO operations, net sales for the first half of the current fiscal year amounted to 129 million yen (a decrease of 13.8% on a year-on-year basis) and segment income (operating income) was 19 million yen (a decrease of 43.3% on a year-on-year basis). In the information equipment sales operations, net sales for the first half of the current fiscal year totaled 535 million yen (a decrease of 7.2% on a year-on-year basis), with segment loss (operating loss) of 77 million yen.

(Note) Segment sales include inter-segment transactions.

(2) Explanation of Financial Position

(Assets)

Current assets decreased 3.3% from the end of the previous consolidated fiscal year to 463,731 million yen, due to an increase in notes and accounts receivable-trade of 11,662 million yen, and a decrease in cash and deposits of 18,226 million yen and in merchandise and finished goods of 6,247 million yen.

Noncurrent assets increased 0.8% from the end of the previous consolidated fiscal year to 185,712 million yen, due mainly to an increase in property, plant and equipment of 5,172 million yen, and a decrease in investment securities of 3,589 million yen.

As a result, consolidated net assets decreased 2.2% from the end of the previous consolidated fiscal year, to 649,443 million yen.

(Liabilities)

Current liabilities decreased 5.2% from the end of the previous consolidated fiscal year to 379,338 million yen

with a decrease in notes and accounts payable-trade of 16,595 million yen and in current portion of bonds of 4,615 million yen.

Noncurrent liabilities decreased 3.3% from the end of the previous consolidated fiscal year to 47,972 million yen with a decrease in deferred tax liabilities of 1,100 million yen.

As a result, total liabilities decreased 5.0% from the end of the previous consolidated fiscal year, to 427,310 million yen.

(Net assets)

Total net assets increased 3.9% from the end of the previous consolidated fiscal year to 222,132 million yen, due to an increase in retained earnings of 6,099 million yen, meanwhile a decrease in treasury stock of 4,242 million yen, and a decrease in valuation difference on available-for-sale securities of 2,471 million yen.

(Analysis of the Cash Flow Position)

Cash and cash equivalents (hereinafter referred to as “cash”) during this consolidated first half decreased 18,189 million yen from the end of the previous consolidated fiscal year. As a result, the balance at the end of this first half was 57,192 million yen (a decrease of 26,469 million yen on a year-on-year basis). The following describes the three categories of consolidated cash positions during this consolidated first half, as well as the factors responsible.

(Cash Flows from Operating Activities)

Cash flow from operating activities was an inflow of 8,326 million yen (a decrease of 19,971 million yen on a year-on-year basis). Although the inflow was secured by some positive factors such as income before income taxes of 10,808 million yen, depreciation and amortization of 2,711 million yen and a decrease in inventories of 6,247 million yen, these were somewhat offset by negative factors including an increase in notes and accounts receivable-trade of 11,644 and a decrease in notes and accounts payable-trade of 16,602 million yen.

(Cash Flows from Investing Activities)

Cash flow from investing activities was an outflow of 7,892 million yen (a decrease of 5,540 million yen on a year-on-year basis), which is mainly attributable to purchase of property, plant and equipment of 7,810 million yen.

(Cash Flows from Financing Activities)

Cash flow from financing activities was an outflow of 1,969 million yen (a decrease of 12,093 million yen on a year-on-year basis), which is mainly attributable to repayments of finance lease obligations of 810 million yen and cash dividends paid of 1,022 million yen.

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

The Company has revised its consolidated full-year earnings forecast for the fiscal year ending March 2020 (April 1, 2019 - March 31, 2020) announced on May 9, 2019, taking into consideration the recent trends in performances. As for the details, please refer to the “Notice regarding the Revision of the Full-year Earnings Forecasts for the Fiscal Year ending March 2020” announced today (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 first half (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	79,607	61,381
Notes and accounts receivable-trade	287,205	298,868
Merchandise and finished goods	78,590	72,343
Other	34,233	31,351
Allowance for doubtful accounts	-209	-213
Total current assets	479,427	463,731
Noncurrent assets		
Property, plant and equipment	89,095	94,267
Intangible assets		
Goodwill	1,360	1,061
Other	2,620	2,540
Total intangible assets	3,981	3,601
Investments and other assets		
Investment securities	80,676	77,087
Other	13,080	13,245
Allowance for doubtful accounts	-2,533	-2,489
Total investments and other assets	91,222	87,843
Total noncurrent assets	184,299	185,712
Total assets	663,727	649,443

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2019)	End of this consolidated first half (As of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	374,322	357,727
Short-term loans payable	586	561
Current portion of bonds	7,955	3,340
Income taxes payable	4,204	3,953
Provision for bonuses	3,428	3,535
Provision for directors' bonuses	71	35
Provision for sales returns	349	357
Asset retirement obligations	25	55
Other	9,321	9,771
Total current liabilities	400,265	379,338
Noncurrent liabilities		
Bonds payable	20,083	20,073
Long-term loans payable	5,594	5,483
Net defined benefit liability	1,986	2,012
Asset retirement obligations	1,094	1,128
Negative goodwill	7	2
Other	20,845	19,272
Total noncurrent liabilities	49,612	47,972
Total liabilities	449,878	427,310
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	48,566	48,978
Retained earnings	151,943	158,042
Treasury stock	-20,257	-16,014
Total shareholders' equity	190,902	201,656
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,285	24,814
Revaluation reserve for land	-4,507	-4,507
Total accumulated other comprehensive income	22,777	20,306
Subscription rights to shares	168	168
Total net assets	213,848	222,132
Total liabilities and net assets	663,727	649,443

(2) Quarterly Consolidated Profit and Loss Statement and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Profit and Loss Statement
[Period for the consolidated first half]

(Unit: million yen)

	Period for previous consolidated first half (from April 1, 2018 to September 30, 2018)	Period for this consolidated first half (from April 1, 2019 to September 30, 2019)
Net sales	593,635	634,050
Cost of sales	541,252	577,290
Gross profit	52,383	56,760
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	20,723	20,992
Provision for bonuses	3,594	3,514
Provision for directors' bonuses	34	35
Retirement benefit expenses	116	119
Welfare expenses	3,957	4,038
Vehicle expenses	598	554
Provision of allowance for doubtful accounts	-58	-10
Depreciation	2,077	2,711
Amortization of goodwill	827	328
Rent expenses	3,551	3,749
Taxes and dues	869	1,145
Expense before deduction of temporary consumption tax payment	2,553	2,606
Other	8,733	9,052
Total selling, general and administrative expenses	47,578	48,839
Operating income	4,804	7,920
Non-operating income		
Interest income	40	40
Dividend income	765	760
Commission fee	1,549	1,636
Amortization of negative goodwill	10	4
Equity in earnings of affiliates	22	29
Other	755	735
Total non-operating income	3,144	3,207
Non-operating expenses		
Interest expenses	15	15
Expenses of real estate rent	136	131
Other	132	30
Total non-operating expenses	283	177
Ordinary income	7,664	10,951

(Unit: million yen)

	Period for previous consolidated first half (from April 1, 2018 to September 30, 2018)	Period for this consolidated first half (from April 1, 2019 to September 30, 2019)
Extraordinary income		
Gain on sales of noncurrent assets	16	12
Gain on sales of investment securities	0	63
Other	1	14
Total extraordinary income	18	89
Extraordinary loss		
Loss on disposal of noncurrent assets	33	42
Impairment loss	35	107
Loss on valuation of stocks of subsidiaries and affiliates	-	53
Other	0	29
Total extraordinary loss	69	232
Income before income taxes	7,613	10,808
Income taxes-current	2,968	3,943
Income taxes-deferred	-298	-256
Total income taxes	2,669	3,686
Current net income	4,943	7,121
Profit attributable to owners of parent	4,943	7,121

Quarterly Consolidated Statements of Comprehensive Income
 [Period for the consolidated first half]

(Unit: million yen)

	Period for previous consolidated first half (from April 1, 2018 to September 30, 2018)	Period for this consolidated first half (from April 1, 2019 to September 30, 2019)
Current net income	4,943	7,121
Other comprehensive income		
Valuation difference on available-for-sale securities	9,739	-2,458
Share of other comprehensive income of associates accounted for using equity method	81	-12
Total other comprehensive income	9,821	-2,471
Comprehensive income	14,765	4,650
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	14,765	4,650
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: million yen)

	Period for previous consolidated first half (from April 1, 2018 to September 30, 2018)	Period for this consolidated first half (from April 1, 2019 to September 30, 2019)
Net cash provided by (used in) operating activities		
Income before income taxes	7,613	10,808
Depreciation and amortization	2,077	2,711
Impairment loss	35	107
Amortization of goodwill	827	328
Amortization of negative goodwill	-10	-4
Increase (decrease) in net defined benefit liability	49	25
Increase (decrease) in provision for sales returns	-27	8
Increase (decrease) in provision for bonuses	74	106
Increase (decrease) in provision for directors' bonuses	-34	-35
Increase (decrease) in allowance for doubtful accounts	-70	-40
Interest and dividend income	-806	-800
Interest expense	15	15
Loss (gain) on sales and retirement of noncurrent assets	17	30
Loss (gain) on sales and valuation of investment securities	-0	-47
Decrease (increase) in notes and accounts receivable-trade	11,911	-11,644
Decrease (increase) in inventories	502	6,247
Decrease (increase) in other assets	3,900	1,493
Increase(decrease) in notes and accounts payable-trade	-9,783	-16,602
Increase (decrease) in other liabilities	-357	-1,129
Increase (decrease) in accrued consumption taxes	-128	1,454
Other loss (gain)	-1,913	-2,013
Subtotal	13,891	-8,980
Interest and dividends income received	795	790
Interest expenses paid	-39	-29
Income taxes paid	-5,228	-2,272
Other	2,225	2,164
Net cash provided by (used in) operating activities	11,644	-8,326

(Unit: million yen)

	Period for previous consolidated first half (from April 1, 2018 to September 30, 2018)	Period for this consolidated first half (from April 1, 2019 to September 30, 2019)
Net cash provided by (used in) investment activities		
Payments into time deposits	-642	-696
Proceeds from withdrawal of time deposits	641	733
Purchase of property, plant and equipment	-746	-7,810
Proceeds from sales of property, plant and equipment	117	184
Purchase of intangible assets	-523	-285
Purchase of investment securities	-356	-157
Proceeds from sales and redemption of investment securities	1	213
Purchase of stocks of subsidiaries and affiliates	-431	-5
Proceeds from sales of stocks of subsidiaries and affiliates	—	46
Payments for asset retirement obligations	—	-2
Payments of loans receivable	-186	-188
Collection of loans receivable	51	60
Other	-275	16
Net cash provided by (used in) investment activities	-2,351	-7,892
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-139	36
Repayment of long-term loans payable	-484	-172
Proceeds from issuance of bonds	20,100	—
Purchase of treasury stock	-7,377	-1
Repayments of finance lease obligations	-946	-810
Cash dividends paid	-1,027	-1,022
Net cash provided by (used in) financing activities	10,123	-1,969
Net increase (decrease) in cash and cash equivalents	19,416	-18,189
Cash and cash equivalents at beginning of year	63,671	75,382
Increase in cash and cash equivalents resulting from merger	573	—
Cash and cash equivalents at the end of first half	83,662	57,192

(4)Notes Concerning Quarterly Consolidated Financial Statements

(Notes Concerning Premise of a Going Business)

Not applicable.

(Notes concerning Material Changes in Shareholders' Equity)

Period for this consolidated first half (from April 1, 2019 to September 30, 2019)

Not applicable.

(Segmental Information)

I Period for previous consolidated first half (from April 1, 2018 to September 30, 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	547,794	45,252	150	438	593,635	—	593,635
(2) Inter-segment internal net sales or transfers	23,448	175	—	138	23,762	-23,762	—
Total	571,243	45,427	150	577	617,398	-23,762	593,635
Segment profit	5,498	201	33	-46	5,686	-882	4,804

(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 Period for this consolidated first half (from April 1, 2019 to September 30, 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) (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	585,968	47,567	129	385	634,050	—	634,050
(2) Inter-segment internal net sales or transfers	23,986	146	—	150	24,283	-24,283	—
Total	609,955	47,714	129	535	658,334	-24,283	634,050
Segment profit	8,115	1,358	19	-77	9,415	-1,494	7,920

(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.