

# Summary of Consolidated Financial Results of Fiscal 2015

May 12, 2015

Name of Listed Company: TOHO HOLDINGS CO., LTD. Listed: Tokyo Stock Exchange  
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Planned Date of General Meeting of Shareholders: Jun 26, 2015 Planned Date of Dividends Payment: Jun 8, 2015

Planned Date of Filing of Annual Securities: Jun 26, 2015

Supplemental explanatory materials for the Financial Results: Draft

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

(Amounts are truncated to the nearest million yen.)

## 1. Consolidated Results of Operations for the March 2015(from April 1, 2014 to March 31, 2015)

### (1) Consolidated Results of Operations

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2015	1,162,148	-2.3	10,017	-18.7	15,902	-13.1	13,535	30.1
Fiscal 2014	1,189,627	4.3	12,328	-6.2	18,303	-6.5	10,407	-9.7

(Note) Comprehensive income: Fiscal 2015:21,386 million yen (108.9%); Fiscal 2014:10,238 million yen (-45.1%)

	Current Net Income per Share	Current Net Income per Share - Diluted	Return on Equity	Ordinary Income/ Total Assets	Operating Income/ Net Sales
	Yen	Yen	%	%	%
Fiscal 2015	181.83	177.74	8.9	2.7	0.9
Fiscal 2014	139.58	139.54	7.4	3.2	1.0

(Reference) Equity in earnings (losses) of equity-method investees : Fiscal 2015: 61 million yen; Fiscal 2014: 90 million yen

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
Fiscal 2015	599,950	157,371	26.2	2,246.54
Fiscal 2014	580,137	147,190	25.4	1,952.04

(Reference) Shareholder's equity: Fiscal 2015: 157,333 million yen; Fiscal 2014: 147,162 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 term-end
	Million yen	Million yen	Million yen	Million yen
Fiscal 2015	29,347	3,457	-7,258	40,550
Fiscal 2014	-18,636	-7,957	2,966	14,257

## 2. Historical 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	%	%
Fiscal 2014	—	10.00	—	10.00	20.00	1,510	14.3	1.0
Fiscal 2015	—	12.00	—	12.00	24.00	1,745	13.2	1.1
Fiscal 2016 (Projected)	—	13.00	—	13.00	26.00		17.6	

Breakdown of dividends FY 2015; the commemorative dividend of 4.00 yen, the ordinary dividend of 20.00 yen.

## 3. Consolidated Projected Results of Operations during Fiscal Year 2016 (from April 1, 2015 to March 31, 2016)

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

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Current Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second half of Fiscal 2016	583,000	3.9	4,800	83.0	7,200	29.5	4,200	39.1	60.87
Year-end	1,201,000	3.3	12,700	26.8	17,900	12.6	10,200	-24.6	147.93

#### 4. Others

(1) Changes in material subsidiaries during the term (changes in special subsidiaries accompanying a change in the scope of consolidation): N.A.

Inclusion — ( — ) Exclusion — ( — )

(2) 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.: Applicable

(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

(3) Number of shares outstanding (Common stock)

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

FY2015	78,270,142	FY2014	78,270,142
FY2015	8,236,448	FY2014	2,881,129
FY2015	74,441,239	FY2014	74,563,314

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

(iii) The average number of shares during fiscal year

#### (Reference) Summary of Non-consolidated Financial Statements

##### 1. Non-Consolidated Results of Operations for the March 2015 (from April 1, 2014 to March 31, 2015)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2015	11,935	125.3	8,588	298.4	10,216	183.8	16,160	359.3
Fiscal 2014	5,298	-13.9	2,155	-37.7	3,600	-28.8	3,518	-28.2

	Net Income per Share	Net Income per Share - Diluted
	yen	yen
Fiscal 2015	217.05	212.16
Fiscal 2014	47.18	47.17

(2) Non-consolidated Financial Position

	Total Asset	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	yen
Fiscal 2015	153,993	110,475	71.7	1,576.66
Fiscal 2014	134,203	99,684	74.3	1,321.68

(Reference) Shareholder's Equity Fiscal 2015 : 110,437 million yen Fiscal 2014 : 99,655 million yen

#### \* Status of the implementation of the audit procedure

- The Financial Results of Fiscal 2015 were exempt from the audit procedure based on the Financial Instruments and Exchange Act. As of the Fiscal 2015 disclosure, the audit procedure for the financial statements of Fiscal 2015 has not been completed.

#### \* 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. As for precautions regarding the use of the Performance Projections and the conditions underlying the assumptions for the Performance Projections, refer to (1) Analysis concerning the Management Results of "1. Analysis Concerning Management Result and Concerning the Financial Position" 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 19, 2015. The Company also intends to provide on its website a record of the progress of the session and the outline of the briefing (voice recording), together with the briefing material.

## Contents of Attached Document

1. Analysis Concerning Management Result and Concerning the Financial Position	2
(1) Analysis Concerning Management Result	2
(2) Analysis Concerning the Financial Position	3
(3) Company's Basic Policy for Allocation of Profit and Dividend for the Current Term and Next Term	4
(4) Business Risks	4
2. State of Corporate Group	6
3. Business Management Policy	10
(1) Company's Basic Policy for Management of Operations	10
(2) Target Managerial Indicators	10
(3) Company's Medium- to Long-Term Business Management Strategy	10
(4) Company Issues that Need Addressing	10
4. Basic Idea for Selection of Accounting Standards	13
5. Consolidated Financial Statements	14
(1) Consolidated Balance Sheets	14
(2) Consolidated Profit and Loss Statement and Statements of Comprehensive Income	16
(3) Consolidated Statement of Changes in Shareholders' Equity	19
(4) Consolidated Statements of Cash Flows	21
(5) Notes to Consolidated Financial Statements	23
(Notes Regarding the Going Concern Assumption)	23
(Basis of Presenting Consolidated Financial Statements)	23
(Changes in Accounting Policies)	25
(Change in the Accounting Treatment)	25
(Additional Information)	25
(Notes to Consolidated Balance Sheets)	26
(Notes to Consolidated Profit and Loss Statement)	28
(Notes to Consolidated Statements of Comprehensive Income)	29
(Notes to Consolidated Statements of Changes in Shareholders' Equity)	29
(Notes to Consolidated Statements of Cash Flows)	31
(Segment Information)	31
(Information per Share)	36
(Significant Subsequent Events)	36
(Disclosure omitted)	37
6. Non-consolidated Financial Statements	38
(1) Balance Sheets	38
(2) Profit and Loss Statement	40
(3) Statements of Changes in Shareholders' Equity	42

# 1. Management Results Analysis Concerning Management Result and Concerning the Financial Position

## (1) Analysis Concerning Management Result

### (Management Results for FY2015)

In the market for prescription pharmaceuticals during the consolidated fiscal year under review, medical treatment fees and NHI drug prices were revised in April 2014; NHI drug prices were reduced by 2.65% on average if the consumption tax hike is included (5.64% if it is not included). Meanwhile, sales of long-listed drugs slumped as the use of generic drugs had been further accelerated. Consequently, the market for prescription pharmaceuticals shrank 2.7% from the previous year (estimates by Crecon Research & Consulting Inc.).

Under these circumstances, the Company has, in the pharmaceutical wholesaling business, promoted shifting to a business model that focuses on the provision of value-added services and proposed unique customer support systems, thereby endeavoring to strengthen ties with medical institutions. A special effort has been put into the proposal for combined use of the series of Dispensing ENI-Pharma consisting of an all-in-one receipt computer and electronic medication history recording system (product name: ENI-Pharma), a dispensing POS system linked to a receipt computer (product name: ENI-POS), a centralized headquarters control system for the administration of pharmacy operations (product name: ENIF-Honbu), and a home medical care operations administration system (product name: Zaitaku ENIF) and ENIFvoiceSP, a voice-recognition medication history recording support system, which facilitates, via voice entry and the use of templates, medication history recording and dosing guidance, which place heavy burdens on dispensing pharmacy operations.

In June 2014, the Company acquired 70% of the outstanding shares of eHealthcare, Inc., which operates the largest Web portal for finding hospitals and clinics in Japan under the name Byoin Navi. By combining its initial examination reservation service with Byoin Navi, the Company has helped medical institutions to increase patients' visits. As also witnessed by the improvement of its eKenkoshop service, the Company has stepped up its capacity to provide new value-added services.

Furthermore, the number of Kyoso Mirai Group in Pharmacy members who independently run pharmacies in regional communities throughout Japan has reached 13,054 stores of 4,445 companies. The Company will, with those members, create pharmacies functioning as a regional health information base from this point onward as well.

As a result, the Company recorded 1,162,148 million yen in net sales (down 2.3% from the previous year), 10,017 million yen in operating income (down 18.7% from the previous year), 15,902 million yen in ordinary income (down 13.1% from the previous year), and 13,535 million yen in net income (up 30.1% from the previous year).

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

The pharmaceutical wholesaling business has implemented thorough management of appropriate profits and strived to secure profits from fee-based business. As part of cost-cutting efforts, it has enhanced functions of distribution centers and call centers and forged ahead with the integrated reform in sales and distribution with a view to reducing costs for and improving efficiency of operations from order receipt to delivery.

As a result, the net sales were 1,109,638 million yen (3.0% decrease compared to the previous year), and operating income were 8,273 million yen (27.8% increase compared to the previous year). In addition, the sales mentioned above include internal sales between segments of 41,317 million yen.

The dispensing pharmacy business has endeavored to increase profitability in response to the revision of dispensing fees, focusing on management of high value-added stores while maintaining close contact with community healthcare programs. At the same time, it has implemented cost reduction measures such as standardization of store operations and consolidation of some operations into the headquarters.

As a result, the net sales were 92,105 million yen (7.5% increase compared to the previous year), and operating income were 1,595 million yen (45.9% increase compared to the previous year).

In the SMO operations, consolidated net sales for fiscal 2015 were 370 million yen (a year-on-year decrease of 27.0%) and operating income was 162 million yen (a year-on-year decrease of 45.2%).

In the information equipment sales operations, net sales for fiscal 2015 were 1,628 million yen (a year-on-year increase of 0.1%) and the operating income was 65 million (a year-on-year decrease of 21.7%).

### (Projections for the Next Fiscal Year)

With the NHI drug price revision carried out in 2014, it is difficult to predict future trends in the market for prescription pharmaceuticals to which the Company belongs owing to ongoing measures to curtail medical expenses as seen in the increasing use of generic drugs. Nevertheless, Crecon Research & Consulting Inc. expects the market as a whole to grow 3.6% year on year supported by growth of new drugs, aging of the population, and higher sales of pharmaceuticals for lifestyle-related disease treatment.

In this context, the pharmaceutical wholesaling business is likely to achieve a profit increase as it will strive to secure appropriate profits through price negotiation by category based on the price system appropriate to individual product values and expand fee-based business by shifting further to business model that focuses on the provision of value-added services. In addition, with the aim of further boosting its productivity, it will overhaul its existing operations, continue promoting more appropriate distribution of overall human resources via consolidation of indirect operations, and forcefully advance radical structural reform such as rebuilding of the delivery system for distribution centers.

As part of its overseas business expansion, the Company formed a capital and business alliance with Kokando and Kyoso Mirai Asia Pte.Ltd., a new company established by KOKANDO Co.,Ltd. in January 2015 to control Southeast Asia-based subsidiaries. In order to sharpen its competitive edge in rapidly growing Southeast Asia, the Company

will press forward with the development of a sales system by expanding its sales network, enriching its product lines and establishing a distribution management system among other measures.

Meanwhile, the dispensing pharmacy business will continue to improve its business efficiency and create high added value by strengthening services through maintaining close contact with community healthcare programs. Accordingly, net sales for the next fiscal year ending March 2016 are projected to be 1,201,000 million yen (up 3.3% from the previous year), with the operating income estimated at 12,700 million yen (up 26.8%), ordinary income, 17,900 million yen (up 12.6%), and net income, 10,200 million yen (down 24.6%).

## (2) Analysis Concerning the Financial Position

### ① State of assets, liabilities, and net assets

#### (i) Asset

Consolidated current assets as of the end of March 2015 increased 3.5% from the end of the previous consolidated fiscal year to 430,034 million yen, due mainly to an increase in cash and deposits of 26,147 million yen, and a decrease in notes and accounts receivable-trade of 2,623 million yen, and a decrease in merchandise and finished goods of 8,195 million yen.

Noncurrent assets as of the end of March 2015 increased 3.2% from the end of the previous year to 169,915 million yen, due primarily to an increase in investment securities of 7,283, a decrease in buildings and structures of 1,061 million yen, a decrease in lease assets of 1,004 million yen, and a decrease in goodwill of 1,481 million yen.

As a result, consolidated total assets as of the end of March 2015 increased 3.4% from the end of the previous consolidated fiscal year to 599,950 million yen.

#### (ii) Liability

Current liabilities stood at 390,179 million yen, the same as those at the end of the previous consolidated fiscal year, owing to an increase in income taxes payable of 3,168 million yen, an increase in consumption taxes payable of 3,456 million yen, a decrease in notes and accounts payable-trade of 1,287 million yen, a decrease in short-term loans payable of 3,037 million yen, and a decrease in the current portion of long-term loans payable of 2,295 million yen.

Noncurrent liabilities increased 22.9% from the end of the previous consolidated fiscal year to 52,398 million yen with an increase in bonds payable of 15,071 million yen, a decrease in long-term loans payable of 3,539 million yen, and a decrease in lease obligations of 1,243 million yen.

As a result, total liabilities increased 2.2% year-on-year to 442,578 million yen.

#### (iii) Net assets

Total net assets were up 6.9% from the end of the previous consolidated fiscal year to 157,371 million yen, with an increase in retained earnings of 11,963 million yen, an increase in treasury stocks of 9,586 million yen, and an increase in valuation difference on available-for-sale securities of 7,759 million yen.

### ② Cash Position

Cash and cash equivalents (hereinafter referred to as “cash”) during this consolidated fiscal year increased by 26,293 million yen from the end of the preceding consolidated fiscal year. As a result, the balance at the end of this consolidated fiscal year totaled 40,550 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 29,347 million yen (an increase of 47,984 million yen on a year-on-year basis). Although inflow was secured by some positive factors such as net income before income taxes of 21,490 million yen, depreciation of 4,729 million yen, a decrease in notes and accounts receivable-trade of 3,029 million yen, and a decrease in inventories of 8,483 million yen, these were somewhat offset by negative factors including gain on sale of investment securities of 6,207 million yen and income taxes paid of 6,413 million yen.

#### (ii) Cash Flows from Investing Activities

Cash flow from investing activities was an inflow of 3,457 million yen (an increase of 11,415 million yen from the previous year). Positive factor, i.e. proceeds from sale of investment securities of 10,901 million yen, was somewhat offset by negative factors including purchase of property, plant and equipment of 3,366 million yen and purchase of stocks of affiliates of 3,040 million yen.

#### (iii) Cash Flows from Financing Activities

Cash flow from financing activities was an outflow of 7,258 million yen (a decrease of 10,225 million yen from the previous year). Positive factor, i.e. proceeds from issuance of bonds of 15,075 million yen, was totally offset by negative factors including net decrease in loans payable of 9,156 million yen and purchase of treasury stock of 9,586 million yen.

(Reference) Trends in key indicators of cash flows

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Shareholder's Equity Ratio (%)	21.4	22.7	23.9	25.4	26.2
Shareholder's Equity Ratio at Market Value (%)	13.0	20.2	27.3	28.4	23.7
Ratio of cash flows to interest-bearing debts (%)	363.6	151.3	83.0	—	104.7
Interest Coverage Ratio (time)	18.8	37.3	57.9	—	61.1

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/Operating cash flows

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 adjustment for treasury shares).
3. Cash flows from operating activities correspond to Cash Flows from Operating Activities appearing on the Statements of Consolidated Cash Flows. Interest-bearing debt corresponds to all interest-paying debt as recorded on the Consolidated Balance Sheets. Interest paid corresponds to interest payments appearing on the Statements of Consolidated Cash Flows.
4. Neither ratio of cash flows to interest-bearing debts of FY2014 nor interest coverage ratio is written due to negative cash flows from operating activities.

(3)Company's Basic Policy for Allocation of Profit and Dividend 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 added a 5th anniversary of shift to Holdings company system paid commemorative dividend of 4 yen to a common dividend of 20 yen and paid a total of 24 yen in fiscal 2015. We plan to add 6 yen to the common dividend of 20 yen in the previous fiscal year and pay a total of 26 yen for the next fiscal year.

(4)Business Risks

The major risks relevant to business operations and other affairs of the Company and the Group are described below. Discussions about the future that appear in this section reflect observations made by the Company as of the date of releasing financial results contained herein (May 12, 2015).

I Pharmaceutical Wholesaling Operations

1. 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 NHI Drug Price Standards are known as the "Methodology for Calculating the Amounts of Expenses Required for Medical Treatments as Prescribed by the Health Insurance Law" as announced by the Minister of Health, Labour and Welfare. 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 the NHI Drug Price Standards act as ceilings for the sale prices of ethical pharmaceuticals.

The Ministry of Health, Labour 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.

The Group's operating results tend to be affected by the unwillingness of medical institutions etc. to buy prior to the revisions in the NHI Drug Price Standards and the price trends after the reduction in the NHI drug prices.

As explained above, revisions in the NHI Drug Price Standards and other health insurance framework arrangements may affect the Toho Holdings Group's results for its operations, depending on how the details are worked out.

## 2. Business Practices Unique to Industry

The industry is known for its peculiar business practice whereby prices are not yet determined when a pharmaceutical vendor delivers a shipment to medical institutions or dispensing pharmacies based on the mutual understanding that both parties will negotiate the price at a later date. Conversely, prolonged price negotiations may adversely affect the Group's operating results.

The pharmaceutical distribution business involves the payment of sales rebates and sales promotion incentives to pharmaceutical wholesalers by pharmaceutical manufacturers.

Sales rebates are calculated by mainly setting up progressive rebate rates according to the purchase value and pharmaceutical wholesalers are consequently able to virtually reduce their purchase prices by acquiring sales rebates.

Consequently, if part of a pharmaceutical manufacturer's business policies or price system is changed, this may have a materially adverse impact on the Group's performance according to the contents of the change.

## II Dispensing Pharmacies Operations

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

As for dispensing pharmacy operations, revenues from the sales of prescription pharmaceuticals based on the NHI Drug Price Standards above and revenues such as dispensary fees and pharmaceutical administration fees based on medical fee points for dispensing as stipulated in the National Health Insurance Law are the main revenues. Accordingly, the Group's operating results may be affected if the NHI Drug Price Standards are revised or if dispensary fees are revised.

Furthermore, the framework reforms being implemented by the government to secure the soundness of health insurance finances may result in a decrease in the number of patients and a decrease in the number of prescriptions issued by medical institutions, according to previous trends. In this case, the Group's operating results may be affected.

As mentioned above, revisions to the health insurance system, including a revision of the NHI Drug Price Standards, may materially affect the operating results of the Group.

### 2. Business Practices Unique to the Industry

#### ① System to separate dispensing and prescribing functions

The dispensing pharmacy business is engaged mainly in prescription of pharmaceuticals according to prescriptions issued by medical institutions. Accordingly, if there are any changes in the circumstances surrounding the industry, including future progress in the system of separation of dispensing and prescribing functions, or if a situation arises such as the abolition of the issuance of prescriptions (a return to in-hospital prescriptions) or the transfer and discontinuation of the business by medical institutions of issuing prescriptions, then the number of prescriptions received may fluctuate. In this case, the Group's operating results may be affected according to these fluctuations.

#### ② Dispensing operations

If any error occurs in dispensing operations due to the characteristics of prescription pharmaceuticals, this may damage the human body. If a dispensing error occurs due to human error, the pharmacy concerned may not only face a claim for substantial damages, but existing customers and the society may also lose confidence in it. In this case, the Group's performance may be affected according to severity of the error.

#### ③ Consumption taxes

Although prescription pharmaceuticals that a dispensing pharmacy sells to patients are non-taxable goods based on the Consumption Tax Law, those that a dispensing pharmacy purchases from a pharmaceutical wholesaler are taxable (e.g. consumption taxes) based on this same law. Against this background, the dispensing pharmacy is liable, as the final user, for consumption taxes at its own expense. Therefore, if the NHI Drug Price Standards are not revised according to the change in the tax rate when a revision of the consumption tax occurs in future, it may affect the Group's operating results.

#### ④ Securing pharmacists

At dispensing pharmacies, the work of dispensing medicine by persons other than pharmacists is prohibited. Consequently, if a resident pharmacist system and the services provided by such a pharmacist for patients cannot be secured at a pharmacy based on full cover of the business hours, then the above regulations may affect the Group's maintenance of pharmacies and the opening of new pharmacies as well as the performance of its dispensing pharmacy business.

## III. Business Risks common to the Group

### Control of personal information

The Toho Group is handling a substantial amount of personal data concerning health personnel in pharmaceutical wholesale operations and patients in dispensing pharmacy operations. 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 claims for compensation compared with cases involving general personal data, 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,” 58 subsidiaries, and 18 affiliates. The Group’s primary business operations, connections between these business operations, 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 “Segmental Information” .

### (1) Pharmaceutical Wholesaling Operations

The Company’s 6 consolidated subsidiaries (TOHO PHARMACEUTICAL, Kyushu Toho, SAYWELL, Koyo, Godo Toho, SQUARE·ONE), three non-consolidated subsidiaries and five affiliates (Sakai Yakuin and four others) purchase pharmaceuticals and health-related products, mainly from pharmaceutical manufacturers, for distribution primarily to hospitals, clinics, and dispensing pharmacies.

As far as the related products purchased from pharmaceutical manufacturers, etc. are concerned, the consolidated subsidiaries mentioned above supply these products to 30 subsidiaries (Dispensing pharmacies business : Pharma-Daiwa, J. Mirai Medical, Pharma Mirai, Seiko Medical Brain, VEGA PHARMA, Cure, Aobado, Kosei, Shimizu Pharmacy, and 21 others) and 7 affiliated companies (Wakaba, and 6 others).

Toho System Service (a consolidated subsidiary) is chiefly engaged in mission-critical system operations such as data processing for the Kyoso Mirai Group (consisting of the Company, and affiliated companies and companies tying up with us whose mainstay is pharmaceutical wholesaling). And THINK-ONE (a consolidated subsidiary) undertakes real estate agency operations.

### (2) Dispensing Pharmacies Operations

The Company’s 9 consolidated subsidiaries (Pharma-Daiwa, J. Mirai Medical, Pharma Mirai, Seiko Medical Brain, VEGA PHARMA, Cure, Aobado, Kosei, Shimizu Pharmacy), 21 non-consolidated subsidiaries and 7 associate companies (Wakaba, and 6 others) primarily manage health insurance dispensing pharmacies.

PharmaCluster (a consolidated subsidiary) undertakes the management of the dispensing pharmacy business.

### (3) Site Management Organization (SMO) Operations

The Tokyo Research Center of Clinical Pharmacology, a consolidated subsidiary, undertakes SMO (Site Management Organization) operations.

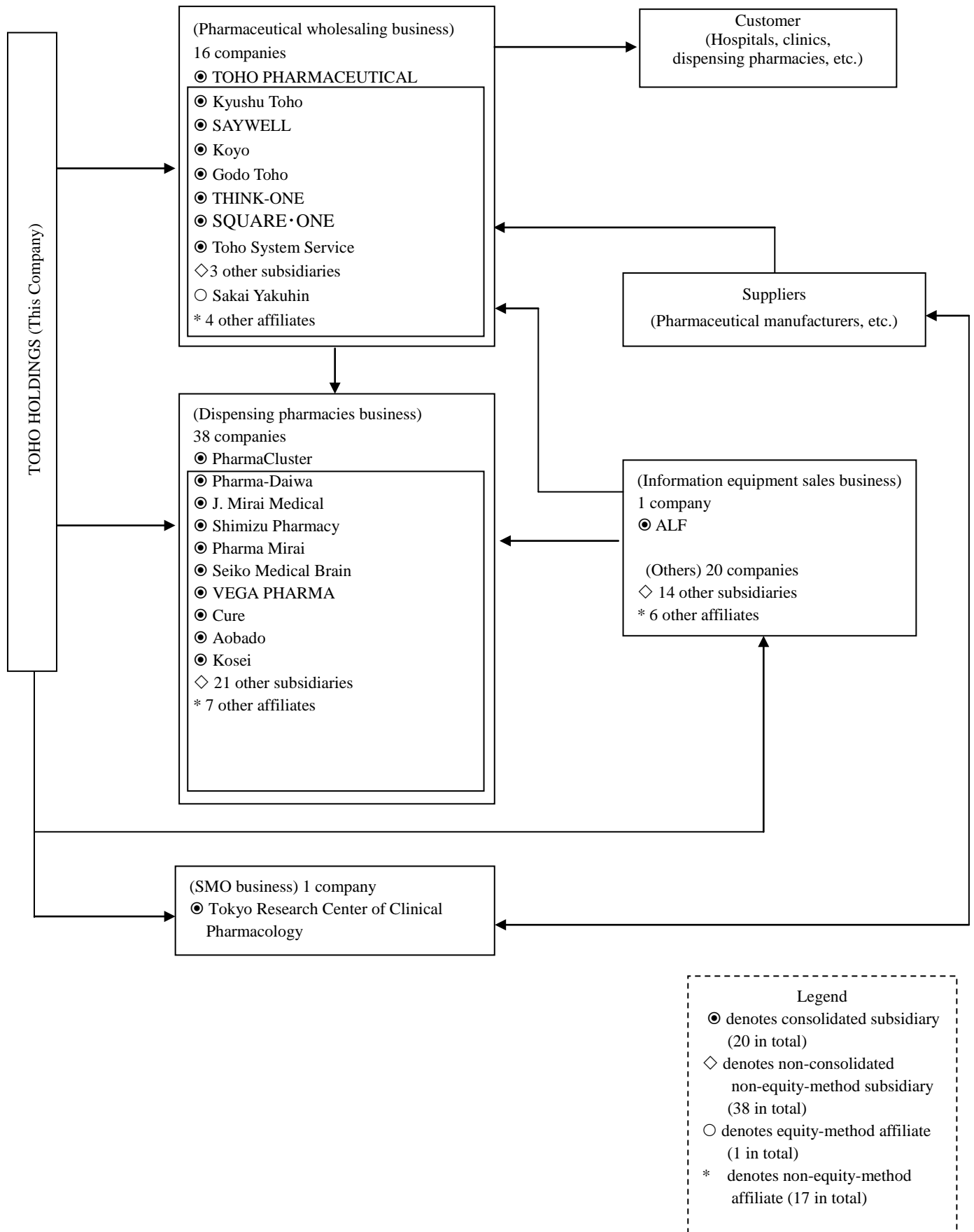
### (4) Information Equipment Sales Operations

ALF, a consolidated subsidiary, undertakes manufacture and marketing of information processing equipment.

Other companies (14 non-consolidated subsidiaries and 6 affiliates) undertake respective 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	Company's Voting Ownership (%)	Detailed Relationship with Company
(Consolidated Subsidiaries)  TOHO PHARMACEUTICAL	Setagaya-ku, Tokyo	300	Pharmaceutical wholesaling	100.00	Management guidance and real estate rent by the Company. Company represented on Board of Directors. Supported financially by the Company.
Kyushu Toho	Higashi-ku, Fukuoka City, Fukuoka	522	Pharmaceutical wholesaling	100.00 (100.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL, a consolidated subsidiary. Company represented on Board of Directors.
SAYWELL	Nishi-ku, Hiroshima City, Hiroshima	95	Pharmaceutical wholesaling	100.00 (100.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL, a consolidated subsidiary. Company represented on Board of Directors.
Koyo	Takamatsu City, Kagawa	72	Pharmaceutical wholesaling	100.00 (100.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL, a consolidated subsidiary. Company represented on Board of Directors.
Godo Toho	Hirano-ku, Osaka City, Osaka	45	Pharmaceutical wholesaling	100.00 (100.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL, a consolidated subsidiary. Company represented on Board of Directors.
THINK-ONE	Setagaya-ku, Tokyo	10	Real estate agency	100.00 (100.00)	Supported financially by the Company.
SQUARE-ONE	Chuoh-ku, Sapporo City, Hokkaido	100	Pharmaceutical wholesaling	40.00 (40.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL, a consolidated subsidiary. Supported financially by the Company.
Toho System Service	Setagaya-ku, Tokyo	10	Information processing	100.00	Processes data and creates software for Company, associated companies, etc. Distributes software to medical institutions jointly with Company.
Pharma Cluster	Chiyoda-ku, Tokyo	10	Management of dispensing pharmacy business companies	100.00	Management guidance, Company represented on Board of Directors. Supported financially by the Company.
Pharma-Daiwa	Minami-ku, Kumamoto City, Kumamoto	100	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary.
J.Mirai Medical	Neyagawa City, Osaka	100	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary. Supported financially by the Company.
Shimizu Pharmacy	Hino City, Tokyo	67	Operation of dispensing pharmacies	100.00	Supplied pharmaceuticals by a consolidated subsidiary.
Pharma Mirai	Setagaya-ku, Tokyo	50	Operation of dispensing pharmacies and small-lot wholesaling of pharmaceuticals	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary. Supported financially by the Company.

Name	Location	Capital (Million yen)	Main Business Description	Company's Voting Ownership (%)	Detailed Relationship with Company
Seiko Medical Brain	Hakata-ku, Fukuoka City, Fukuoka	30	Operation of dispensing pharmacies	100.00	Supplied pharmaceuticals by a consolidated subsidiary.
VEGA PHARMA	Fujiidera City, Osaka	10	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary.
Cure	Nagaoka City, Niigata	5	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary.
Aobado	Higashisumiyoshi-ku, Osaka City, Osaka	3	Operation of dispensing pharmacies	100.00	Supplied pharmaceuticals by a consolidated subsidiary.
Kosei	Sumiyoshi-ku, Osaka City, Osaka	3	Operation of dispensing pharmacies	100.00	Supplied pharmaceuticals by a consolidated subsidiary.
Tokyo Research Center of Clinical Pharmacology	Shinjuku-ku, Tokyo	401	SMO	100.00	Supported financially by Company. Company represented on Board of Directors.
ALF	Setagaya-ku, Tokyo	90	Manufacture and marketing of information processing equipment	92.32 (0.83)	Engaged in marketing of the Group's customer support systems. Company represented on Board of Directors. Supported financially by Company.
(Equity-Method Affiliates)					
Sakai Yakuhin	Mitaka City, Tokyo	60	Pharmaceutical wholesaling	35.00	Supplied pharmaceuticals by TOHO PHARMACEUTICAL, a consolidated subsidiary. Company represented on Board of Directors.

- (Note) 1. Any indirect ownership reflected in a voting ownership ratio is enclosed in parentheses.  
2. No subsidiaries and affiliates above submit registration statements and annual securities reports.  
3. TOHO PHARMACEUTICAL is a specified subsidiary.  
4. Sales from TOHO PHARMACEUTICAL and SAYWELL (excluding internal sales posted between consolidated companies) account for more than 10% of total consolidated sales.

Major profit/loss information

(i) TOHO PHARMACEUTICAL	① Net sales	1,095,764 million yen
	② Ordinary income	9,398 million yen
	③ Net income	6,146 million yen
	④ Net Assets	43,211 million yen
	⑤ Total Assets	443,259 million yen

(i) SAYWELL	① Net sales	145,999 million yen
	② Ordinary income	2,182 million yen
	③ Net income	1,398 million yen
	④ Net Assets	28,565 million yen
	⑤ Total Assets	66,538 million yen

### 3. Business Management Policy

#### (1) Company's Basic Policy for Management of Operations

In a super-ageing society, medical and health care is of great interest to the public. Although diversifying, the market for medical and health care has been on a long-term expansion trend. Under such market circumstances, the Company sets "Total Commitment to Good Health" as its group slogan and strives to achieve the societal mission of "contributing to the medical care and health of people around the world." This effort must play a pivotal role as the Company operates in accordance with its basic business management policy of "creating new added value and enhancing its corporate value continuously." In pursuit of realizing this aim, the Company has endeavored to develop and offer a variety of customer-oriented and patient-oriented services.

#### (2) Target Managerial Indicators

As for the medium- to long-term targets, the Company aims to realize a ratio of ordinary income to net sales of 2% through striving to improve the high value-added business portfolio and the ratio of SG&A expenses to net sales of 4% in the field of pharmaceutical wholesaling operations, by promoting measures to improve management efficiency.

#### (3) Company's Medium- to Long-Term Business Management Strategy

The Company's medium- to long-term business domains boil down to the keywords of "Medical Care, Health, and Comfortable Living," and "Japan and the World," and an intensive promotion of its business management strategy will be based on the following three-point vision for our business structures:

- ① Develop the dispensing pharmacy business into a second earnings pillar, with the prescription pharmaceutical wholesaling business as the Company's core, and expand operations to cover healthcare-related areas centered on medical care;
- ② Serve all of Japan with an eye on overseas expansion; and
- ③ Develop an adequate portfolio of cross-disciplinary, alliance-based business models designed to create value for customers.

With an aim to solve problems facing the operations of customers and improve the quality of life (QOL) enjoyed by people in general and patients in particular, we endeavor to develop and distribute a variety of services and solutions that are unique and proprietary to the Company. We will also procure a wide array of products, ranging from reagents, medical materials, medical equipment, over-the-counter (OTC) pharmaceuticals, and health-related products to cosmetics, daily goods and foods within the scope, in addition to a full spectrum of ethical pharmaceuticals.

As for the Group's business infrastructure such as information systems and logistics networks, we will continue to position infrastructure issues as an important strategic theme and step up for further efforts.

We place importance on enhancing our corporate value on a long-term and ongoing basis. For that purpose, we will strive for greater business efficiencies within the Group, while working aggressively on such important management issues as the full-scale use of IT technology and development of new distribution services to address deregulation moves, development of overseas business, and transformation of the business model.

#### (4) Company Issues that Need Addressing

##### <Internal Control>

In accordance with the Corporation Law, the Company has established its Basic Policy Governing Internal Control Systems and has worked to ensure strict compliance involving the entire organization. In its compliance and risk management efforts, in particular, we have set up a Compliance and Risk Management Committee that meets on a regularly scheduled basis. It works to ensure a heightened level of compliance across the Company and the Group especially as it is concerned with the Pharmaceutical Affairs Law and related laws and regulations, the Antimonopoly Law and other laws and regulations for establishing fair competition, such as Act against Unjustifiable Premiums and Misleading Representations (Fair Competition Code), that were defined as laws of great importance for the Company by Ethical Code of Kyoso Mirai Group in April 2011. Since the internal controls over financial reporting set out in the Financial Instruments and Exchange Law came into effect in FY2008, the Company has evaluated the validity of company-wide internal controls, selected work processes subject to assessment based on the results of the evaluation, and now assesses the validity of internal controls over relevant work processes. The Company will continue to maintain and operate the validity of internal controls.

##### <Financial Status>

With respect to its financial status, the Company will continue to stand firm on its sales policy in placing priority on profitability, and endeavor to increase net assets by accumulating profits, enhance its financial structure, and particularly enhance its capital structure. The Company enjoys a good cash position, as it has low reliance on interest-bearing debts. At the end of March 2015, The Company achieved the management indicators for the receivable turnover period (six-month average) of 2.67 months and stock turnover (six-month average) of 0.73 months. The Company will continue to promote business efficiency and challenge the achievement of a receivable turnover period (six-month average) of 2.50 months and a stock turnover period (six-month average) of 0.65 months taking into consideration the establishment of inventories at sales offices for disaster response measures.

##### <Business Continuity Plan>

Based on the experience of the Great East Japan Earthquake, while the Company has reinforced important bases where emergency power systems, including dynamo-electric generators, have been installed as measures against power outage, and has promoted the deployment of cold storage containers capable of maintaining the temperature for 24 hours, it has also implemented the full duplication of its main systems and their peripheral systems.

The Company will continue to carry out a variety of disaster countermeasures, including the duplication of marketing and sales information system.

Meanwhile, the Company partially transferred its headquarters in March 2014 to GranTokyo South Tower, which has a high-level earthquake-resistant construction for skyscrapers of the 200m class and is equipped with a private power generator that can supply electricity for 48 hours in a time of disaster.

#### <Global Environment Conservation Activities>

Among the TOHO HOLDINGS Group, mainly the Company and TOHO PHARMACEUTICAL CO., LTD. are tackling the promotion of global environment conservation activities.

From fiscal 2012, the Company took electricity saving measures together with all the Group companies in response to the government's emergency electricity saving measures. Since the electric power supply and demand situation continues to be uncertain, emergency electricity saving measures are expected to be taken to the extent of it constituting a public movement throughout the country in fiscal 2015.

The Group is committed to deploying energy saving activities that combine improvements in productivity with a reasonable level of energy consumption, without limiting its efforts only to saving electricity.

#### «Pharmaceutical Wholesaling Business»

##### <Promotion of Distribution Improvements>

In response to Japan Pharmaceutical Wholesalers Association's statement concerning deal with medical institutions in March 2012, the Company has been conducting activities directed toward the correction of provisional shipping with the pricing yet to be negotiated, total value transactions and the issue of the gap between NHI prices and market prices throughout the Group, and a transaction with a clear statement in advance of the contract terms.

In addition, the new drug price system centering on the "promotional point addition system for new drug discovery/off label drug dissolution" which has been introduced on a trial basis from April 2010 is intended to protect prices of new drugs during their patent period and also to encourage the development of new drugs or unapproved drugs from the viewpoint of the patients. The Company aims to establish drug prices according to the value of individual pharmaceuticals while obtaining the understanding of medical institutions and will make its utmost efforts to radicate these drug prices. The Toho Group will address the improvement of the distribution of drugs by continuing to establish systems for the better distribution of pharmaceuticals based on the viewpoint of ordinary people in order to increase the value of its existence as a pharmaceutical wholesaling company.

##### <Kyoso Mirai Group>

While posting sales of more than 1 trillion yen, the Kyoso Mirai Group with TOHO PHARMACEUTICAL as its core, enjoys a significant presence and realizes joint utilization of our purchasing systems and distribution and mission-critical systems. The Group adopts a business management and control system under which TOHO PHARMACEUTICAL CO., LTD. ("TOHO PHARMACEUTICAL"), a wholly owned subsidiary of TOHO HOLDINGS plays a central role.

##### <Ashi-no-kai>

Ashi-no-kai obtains allowances through its joint sales promotion and sustains efforts and consultations for the joint development of new wholesale functions.

##### <Initiatives to Explore and Develop New Business Models and Formats>

The Company sets "Total Commitment to Good Health" as its group slogan, believes its obligation to contribute to health of people all over the country throughout medication and pharmaceuticals. The Company recognizes that it necessary to seek new function and service in response to diversified needs in association with transformation of social construction, further aging of the society and variation of medical circumstance. The Company would like to contribute to local medication and nursing, cooperated by doctors, nurses, care managers, and pharmacists of dispensing pharmacies, by its "medical materials wholesaling in small lots" (name of the service: ENIFme) under the circumstances that medications in this country shift to "local-contained medications". Meanwhile, it becomes clearly that informing local medications and health are tasks of dispensing pharmacies. The Company opened the portal site "eKenkoshop" in which customers can reserve the purchase of OTC drugs on the Internet and pick them up at the dispensing pharmacy so that patients or consumers can get the medicine they require without fail, and with "eKenkoshop" they would utilize both convenience of Internet and appropriate medication counseling by pharmacists, furthermore, the Company believes it contributes to realize true "regional family pharmacies" as a front line of health care. Besides, Specialty Pharmaceuticals are always specialized in particular area such as rare diseases and difficult to treat, thus the Company, as a pharmaceutical wholesaler, is required to have new role and function to maximize value of these pharmaceuticals. "Orphan Trust Japan Co., Ltd", established in April 2013, will deal with distribution utilizing know-how the Company achieved from exclusive rights to market about some specialty pharmaceuticals, to responds to diversifying market.

And the Company, jointly with Jointown Pharmaceutical Group Co., Ltd. (headquartered in Wuhan City, Hubei Province, P.R. China), have established and commenced operations of Hubei Kyoso Pharmaceutical Co., Ltd.

(headquartered in Wuhan City, Hubei Province, P.R. China), a joint venture company engaged in the wholesale of pharmaceutical products, medical equipment, health foods, health-related products, and other products of Japanese and other overseas manufacturers to hospitals, clinics, and chemists in China.

Furthermore, the Company has formed a business alliance with Kokando and Kyoso Mirai Asia Pte.Ltd., which, established by KOKANDO Co.,Ltd. in January 2015, controls local subsidiaries engaged in the sale of medical-related products in five Southeast Asian countries. The Company aims to expand Kyoso Mirai networks through the creation of a pharmaceutical-related business hub in Southeast Asia.

#### <Profitability>

The Company understands that the Kyoso Mirai Group has made more significant efforts for the benefits of scale and cost reduction than these of its competitors. From now on, in addition to activities to maximize the gross profit rate and to reduce the ratio of SG&A expenses to sales, the Company will make efforts to strengthen the development of new products that are expected to spur sales growth in the domestic market, enlarge transactions with manufacturers of importance, enhance efforts for pharmaceutical manufacturers for which the Company is able to acquire exclusive sales rights, and develop next-generation wholesaler functions, and further strive to develop fee-based business as new sources of earnings and monetize consultative functions as revenue earners.

#### <Centralizing Business Infrastructure Functions>

In centralizing the Group's business infrastructures, we will continue to promote the standardization of back-office business processes across the Group by integrating financial and accounting systems and HR and payroll systems and centralizing and overhauling the Group members' general administrative work for increased efficiencies.

#### <Distribution Function>

As a pharmaceutical wholesaler, the Group has continued to constantly pursue accuracy, lot management and business continuity as its social mission in supplying products on which peoples' lives may depend. Employing cutting-edge technologies and robots to respond to an increase in handling volume as well as growth of direct delivery to customers going forward, TBC Saitama has realized automation and efficiency unrivaled in the world and achieved logistics personnel reduction and 99.99999% (Seven Nines) shipment accuracy. The personnel reduction together with accuracy improvement realized by advanced automation and robotization has enabled the distribution center to develop a delivery system which does not require the inspection of products at a customer's office at the time of delivery, thereby boosting operational efficiency.

Moreover, the Award of Excellence in the Robot Business and Social Implementation category in the 6th Robot Award organized by the Ministry of Economy, Trade and Industry (co-organized by the Japan Machinery Federation) was granted in October 2014 to the advanced system built at TBC Saitama.

The distribution center has also developed a structure for stable pharmaceutical supply at the time of disaster through such measures as main computer and warehouse management system duplexing, installation of an uninterruptible power supply system, and implementation of a disaster exercise on a routine basis.

#### <Innovation in Marketing Style>

By further enhancing functions of distribution centers and call centers, the Group seeks to reduce costs for and achieve higher efficiency and productivity of operations from order receipt to delivery.

The three call centers in Tokyo, West Japan and Sapporo receive orders from customers, respond to enquiries about a range of products, provide drug information, and accept requests from customers. Our telephone operators will make a proactive effort to receive orders by making an outbound call to customers at a time designated by them and strive to boost efficiency and service levels as much as possible. Meanwhile, the quality of the response has been upgraded through the use of the automatic speech recognition system and CTI (Computer Telephony Integration). We will also introduce a new workflow system so as to consolidate office operations to call centers, thereby achieving higher efficiency and providing better services to customers.

For the purpose of strengthening the wholesaling function, we endeavor to build a system for information exchange with pharmaceutical companies which helps detailed information about sales promotion activities by MSs (pharmaceutical wholesalers' marketing specialists) to immediately reach MRs (medical representatives; staff members of pharmaceutical companies who provide medical information).

Using the voice-recognition function of Meissa, a handheld terminal that supports MS activities, MSs can input doctors' responses and other information into the device. The provision of timely and high-quality information through Meissa has earned good feedback from pharmaceutical companies. In addition, company intranet to be mounted on Meissa enables MSs to submit a variety of applications and run a price simulation while they are working outside the office; and this reduces tasks that MSs are required to perform when they return to the office and increases efficiency of MS activities.

Furthermore, by utilizing a new system, MS-PEM, we will reinforce the function of collecting and offering safety management information and gather information on adverse events and effectiveness with the expertise we have cultivated since the 1990s so as to receive orders for PMS (post-marketing surveillance) studies.

### <Customer Support System>

With the Group's proprietary, differentiated customer support systems developed from completely customer-oriented and patient-oriented perspectives, the Company seeks solution to business challenges of medical institutions and convenience of general consumers. And the Group has offered as services with fees, specifically ENIF (an interactive system enabling ordering and information retrieval on handheld information terminals), ENI-Pharmacy (system for the separation of dispensaries from medical practices), LXMATE-HeLios (a hospital appointment booking system via telephone), "Initial examination reservation service" at a clinic to acquire new patients, ENIFwin Nex-Sus (An integrated in-hospital distribution and inventory-management system), and ENIFme (medical materials wholesaling in small lots), enjoyed further market penetration during this term thanks to their various functions and convenient advantages. Since a higher market penetration of these systems will entail expectations for further contributions to differentiated services, more stable trading relationships, and greater business efficiencies, the Company's important challenges for marketing strategies in the next term will continue to be the further improvement and penetration of these services, and the development of new solutions.

The series of Dispensing ENI-Pharma consisting of an all-in-one receipt computer and electronic medication history recording system (product name, ENI-Pharma), a dispensing POS system linked to a receipt computer (product name, ENI-POS), a centralized headquarters control system for the administration of pharmacy operations (product name, ENIF-Honbu), and a home medical care operations administration system (product name, Zaitaku ENIF) is highly rated as a low-cost and high-quality system which has realized the networking of different systems such as receipt computer, POS, inventory management and home systems. And a special effort has been put into the proposal for combined use of the series of Dispensing ENI-Pharma and ENIFvoiceSP, a voice-recognition medication history recording support system which facilitates, via voice entry and the use of templates, medication history recording and dosing guidance, which place heavy burdens on dispensing pharmacy operations.

In August 2014, the Company opened a showroom in the Marunouchi office with the primary objective of supporting a medical practice start-up. By showcasing its customer support systems and state-of-the-art medical equipment at the showroom, supporting a medical practice start-up and pharmacy opening, and providing medical institutions with solutions to an array of management problems, the Company strives to differentiate itself from competitors.

### «Dispensing Pharmacy Business»

#### <Dispensing Pharmacy Operations>

The Group will extend across-the-board support for the sound management of "regional family pharmacies" and "pharmacies for regional health care", utilizing its strong marketing capacity including its unique customer support systems. Meanwhile, as specific measures to promote vertical cooperation with dispensing pharmacies, the Group will explore based on the spirit of "Kyoso Mirai (to create the future together)", the Group's basic principle, new and functional models of a flexible alliance making considerable use of the ties between insurance pharmacies, prescribers and patients.

The Group will proceed with group-wide infrastructure development from this point onward, and through such measures as consolidation of group companies' administrative operations, it will reduce costs and pursue overall optimization of the dispensing pharmacy business.

Moreover, we have established the "Study Group for the Kyoso Mirai Group in Pharmacy" to support micro, small and medium-sized dispensing pharmacies intending to operate independently in the field of regional medical care. The Study Group aims to jointly solve issues of the five committees (about strengthen function of pharmacies, training, development of products, support for in home nursing, and general affairs), and hold regional seminars on a regularly scheduled basis, which are difficult for each individual dispensing pharmacy to solve.

In February 2015, we established the Human Resource Development Organization for the Kyoso Mirai Group in Pharmacy with a view to cultivating human resources such as pharmacists working for insurance pharmacies. It will maintain and strengthen the quality and expertise of not only pharmacists working for pharmacies, a base for health information transmission, but also nationally registered dietitians, registered sellers, and other pharmacy- and medical institution-related staff.

#### <Mirai Research Institute>

We established on April 1, 2014 the Mirai Research Institute (a research institute cum think tank) consisting of external councilors. The objectives of the new organization are to make policy recommendations through and in light of research and studies on medical care, pharmaceutical distribution, insurance pharmacies, etc.; clarify the modalities of medical care as well as the roles of the pharmaceutical distribution industry and insurance pharmacies; and ultimately contribute to the development of our nation's medical care and social welfare. In September 2014, four working groups were started with drug information, comprehensive community care/management, development of pharmacy as a base for health information transmission, and distribution/marketing as their respective themes.

#### 4. Basic Idea for Selection of Accounting Standards

In order to ensure comparability between companies and 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)

	Fiscal 2014 (As of March 31, 2014)	Fiscal 2015 (As of March 31, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	*3 18,362	*3 44,510
Notes and accounts receivable-trade	281,742	279,119
Short-term investment securities	502	602
Merchandise and finished goods	81,424	73,229
Deferred tax assets	2,005	2,273
Purchase rebates receivable	13,691	14,477
Others	18,349	16,232
Allowance for doubtful accounts	-649	-411
<b>Total current assets</b>	<b>415,429</b>	<b>430,034</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	*3 32,384	*3 31,322
Vehicles, net	34	35
Land	*3,*5 42,312	*3,*5 42,699
Lease assets, net	9,554	8,550
Construction in progress	120	807
Others	1,168	1,101
<b>Total property, plant and equipment</b>	<b>*1 85,574</b>	<b>*1 84,516</b>
Intangible assets		
Goodwill	10,590	9,108
Others	3,419	3,053
<b>Total intangible assets</b>	<b>14,009</b>	<b>12,162</b>
Investments and other assets		
Investment securities	*2,*3 57,071	*2,*3 64,354
Long-term loans receivable	922	1,475
Deferred tax assets	616	479
Others	*2 8,159	*2 8,709
Allowance for doubtful accounts	-1,644	-1,783
<b>Total investments and other assets</b>	<b>65,125</b>	<b>73,236</b>
<b>Total noncurrent assets</b>	<b>164,708</b>	<b>169,915</b>
<b>Total assets</b>	<b>580,137</b>	<b>599,950</b>



(Unit: million yen)

	Fiscal 2014 (As of March 31, 2014)	Fiscal 2015 (As of March 31, 2015)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	*3 361,976	*3 360,689
Short-term loans payable	*6 5,921	*6 2,884
Current portion of long-term loans payable	*3 6,279	*3 3,984
Lease obligations	2,212	2,268
Income taxes payable	3,285	6,454
Accrued expenses	2,422	2,317
Provision for bonuses	3,562	3,557
Provision for directors' bonuses	80	78
Provision for sales returns	302	337
Provision for loss on dissolution of employees' pension fund	—	170
Asset retirement obligations	45	—
Others	4,210	7,439
<b>Total current liabilities</b>	<b>390,299</b>	<b>390,179</b>
<b>Noncurrent liabilities</b>		
Bonds payable	—	15,071
Long-term loans payable	*3 12,308	*3 8,768
Lease obligations	7,985	6,742
Deferred tax liabilities	15,467	15,894
Deferred tax liabilities for land revaluation	*5 1,136	*5 971
Net defined benefit liability	1,527	1,636
Asset retirement obligations	1,080	1,084
Negative goodwill	464	102
Others	2,677	2,126
<b>Total noncurrent liabilities</b>	<b>42,647</b>	<b>52,398</b>
<b>Total liabilities</b>	<b>432,947</b>	<b>442,578</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,649	10,649
Capital surplus	47,814	47,814
Retained earnings	83,898	95,862
Treasury stock	-3,437	-13,024
<b>Total shareholders' equity</b>	<b>138,926</b>	<b>141,303</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	12,547	20,306
Revaluation reserve for land	*5 -4,311	*5 -4,276
<b>Total accumulated other comprehensive income</b>	<b>8,236</b>	<b>16,030</b>
Subscription rights to shares	28	37
<b>Total net assets</b>	<b>147,190</b>	<b>157,371</b>
<b>Total liabilities and net assets</b>	<b>580,137</b>	<b>599,950</b>

(2) Consolidated Profit and Loss Statement and Statements of Comprehensive Income  
 Consolidated Profit and Loss Statement

(Unit: million yen)

	Fiscal 2014 (From April 1, 2013 to March 31, 2014)	Fiscal 2015 (From April 1, 2014 to March 31, 2015)
Net sales	1,189,627	1,162,148
Cost of sales	1,084,520	1,055,793
Gross profit	105,107	106,354
Provision for sales returns	3	34
Gross profit-net	105,103	106,320
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	46,162	46,001
Provision for bonuses	3,541	3,542
Provision for directors' bonuses	80	78
Retirement benefit expenses	203	205
Provision of allowance for doubtful accounts	-156	-130
Welfare expenses	7,865	7,952
Vehicle expenses	1,576	1,495
Depreciation	3,709	4,729
Amortization of goodwill	2,390	2,543
Rent expenses	7,161	7,022
Taxes and dues	1,361	1,220
Expense before deduction of the temporary consumption tax payment	3,039	4,960
Others	15,839	16,682
Total selling, general and administrative expenses	92,774	96,303
Operating income	12,328	10,017
Non-operating income		
Interest income	95	76
Dividends income	1,032	1,377
Commission fee	3,073	2,961
Real estate rent	1,218	1,319
Amortization of negative goodwill	736	362
Equity in earnings of affiliates	90	61
Others	908	811
Total non-operating income	7,155	6,970
Non-operating expenses		
Interest expenses	410	324
Commitment fee	45	38
Expenses of real estate rent	548	537
Others	177	185
Total non-operating expenses	1,181	1,085
Ordinary income	18,303	15,902

(Unit: million yen)

	Fiscal 2014 (From April 1, 2013 to March 31, 2014)	Fiscal 2015 (From April 1, 2014 to March 31, 2015)
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	*1 370	*1 66
Gain on redemption of investment securities	0	6,207
Others	51	188
<b>Total extraordinary income</b>	<b>421</b>	<b>6,462</b>
<b>Extraordinary losses</b>		
Loss on disposal of noncurrent assets	*2 446	*2 186
Impairment loss	*3 346	*3 476
Provision of allowance for loss on dissolution of employees' pension fund	—	170
Others	25	40
<b>Total extraordinary losses</b>	<b>817</b>	<b>873</b>
Income before income taxes	17,907	21,490
Income taxes-current	6,388	10,422
Income taxes-deferred	1,112	-2,467
<b>Total income taxes</b>	<b>7,500</b>	<b>7,954</b>
Income before minority interests	10,407	13,535
Minority interests in loss	—	—
<b>Net income</b>	<b>10,407</b>	<b>13,535</b>

## Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Fiscal 2014 (From April 1, 2013 to March 31, 2014)	Fiscal 2015 (From April 1, 2014 to March 31, 2015)
Income before minority interests	10,407	13,535
Other comprehensive income		
Valuation difference on available-for-sale securities	-164	7,659
Share of other comprehensive income of associates accounted for using equity method	-4	100
Revaluation reserve for land	—	91
Total other comprehensive income	*1 -168	*1 7,851
Comprehensive income	10,238	21,386
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	10,238	21,386
Comprehensive income attributable to minority Interests	—	—

## (3) Consolidated Statement of Changes in Shareholders' Equity

Fiscal 2014 (From April 1, 2013 to March 31, 2014)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the end of previous period	10,649	46,144	78,100	-9,030	125,864
Cumulative effects of changes in accounting policies			—		—
Restated balance	10,649	46,144	78,100	-9,030	125,864
Changes of items during the period					
Change of scope of consolidation			-3,274		-3,274
Dividends from surplus			-1,320		-1,320
Net income			10,407		10,407
Purchase of treasury stock				-338	-338
Disposal of treasury stock		1,670		5,930	7,601
Decrease by corporate division			-15		-15
Reversal of revaluation reserve for land			2		2
Increase due to change in tax rate			—		—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	1,670	5,798	5,592	13,061
Balance at the end of current period	10,649	47,814	83,898	-3,437	138,926

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income		
Balance at the end of previous period	12,716	-4,308	8,407	—	134,272
Cumulative effects of changes in accounting policies					—
Restated balance	12,716	-4,308	8,407	—	134,272
Changes of items during the period					
Change of scope of consolidation					-3,274
Dividends from surplus					-1,320
Net income					10,407
Purchase of treasury stock					-338
Disposal of treasury stock					7,601
Decrease by corporate division					-15
Reversal of revaluation reserve for land					2
Increase due to change in tax rate					—
Net changes of items other than shareholders' equity	-168	-2	-171	28	-142
Total changes of items during the period	-168	-2	-171	28	12,918
Balance at the end of current period	12,547	-4,311	8,236	28	147,190

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the end of previous period	10,649	47,814	83,898	-3,437	138,926
Cumulative effects of changes in accounting policies			-28		-28
Restated balance	10,649	47,814	83,870	-3,437	138,898
Changes of items during the period					
Change of scope of consolidation			57		57
Dividends from surplus			-1,658		-1,658
Net income			13,535		13,535
Purchase of treasury stock				-9,586	-9,586
Disposal of treasury stock		—		—	—
Decrease by corporate division			—		—
Reversal of revaluation reserve for land			56		56
Increase due to change in tax rate			0		0
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	11,991	-9,586	2,404
Balance at the end of current period	10,649	47,814	95,862	-13,024	141,303

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income		
Balance at the end of previous period	12,547	-4,311	8,236	28	147,190
Cumulative effects of changes in accounting policies					-28
Restated balance	12,547	-4,311	8,236	28	147,162
Changes of items during the period					
Change of scope of consolidation					57
Dividends from surplus					-1,658
Net income					13,535
Purchase of treasury stock					-9,586
Disposal of treasury stock					—
Decrease by corporate division					—
Reversal of revaluation reserve for land					56
Increase due to change in tax rate					0
Net changes of items other than shareholders' equity	7,759	34	7,794	9	7,803
Total changes of items during the period	7,759	34	7,794	9	10,208
Balance at the end of current period	20,306	-4,276	16,030	37	157,371

## (4) Consolidated Statements of Cash Flows

(Unit: million yen)

	Fiscal 2014 (From April 1, 2013 to March 31, 2014)	Fiscal 2015 (From April 1, 2014 to March 31, 2015)
Net cash provided by (used in) operating activities		
Income before income taxes	17,907	21,490
Depreciation	3,709	4,729
Impairment loss	346	476
Amortization of goodwill	2,390	2,543
Amortization of negative goodwill	-736	-362
Increase (decrease) in net defined benefit liability	-607	60
Increase (decrease) in provision for sales returns	3	34
Increase (decrease) in provision for bonuses	-100	-6
Increase (decrease) in provision for directors' bonuses	-24	-2
Increase (decrease) in allowance for doubtful accounts	-459	-283
Increase (decrease) in provision for loss on dissolution of employees' pension fund	—	170
Interest and dividends income	-1,128	-1,454
Interest expense	410	324
Loss (gain) on sales and retirement of noncurrent assets	75	120
Loss (gain) on sales and valuation of investment securities	2	-6,207
Decrease (increase) in notes and accounts receivable-trade	-16,280	3,029
Decrease (increase) in inventories	-8,929	8,483
Decrease (increase) in other assets	-1,586	298
Increase (decrease) in notes and accounts payable-trade	-3,898	-1,865
Increase (decrease) in other liabilities	-477	-275
Increase (decrease) in accrued consumption taxes	19	3,455
Others	-4,085	-4,219
Subtotal	-13,451	30,539
Interest and dividends income received	1,134	1,454
Interest expenses paid	-515	-480
Income taxes paid	-10,045	-6,413
Others	4,241	4,247
Net cash provided by (used in) operating activities	-18,636	29,347

(Unit: million yen)

	Fiscal 2014 (From April 1, 2013 to March 31, 2014)	Fiscal 2015 (From April 1, 2014 to March 31, 2015)
Net cash provided by (used in) investment activities		
Payments into time deposits	-88	-1,033
Proceeds from withdrawal of time deposits	165	1,183
Purchase of property, plant and equipment	-5,921	-3,366
Proceeds from sales of property, plant and equipment	933	687
Purchase of intangible assets	-1,530	-919
Proceeds from sales of intangible assets	13	8
Purchase of investment securities	-316	-657
Proceeds from sales and redemption of investment securities	51	10,901
Purchase of stocks of subsidiaries and affiliates	-1,422	-3,040
Proceeds from sales of stocks of subsidiaries and affiliates	12	—
Expenditures for the performance of asset retirement obligations	-6	-87
Payments of loans receivable	-53	-737
Collection of loans receivable	201	269
Other	5	248
Net cash provided by (used in) investment activities	-7,957	3,457
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	3,495	-3,186
Proceeds from long-term loans payable	3,233	380
Repayment of long-term loans payable	-8,494	-6,349
Proceeds from issuance of bonds	—	15,075
Redemption of bonds	-10	—
Purchase of treasury stock	-338	-9,586
Proceeds from disposal of treasury stock	7,601	—
Repayments of finance lease obligations	-1,200	-1,931
Cash dividends paid	-1,320	-1,658
Net cash provided by (used in) financing activities	2,966	-7,258
Effect of exchange rate change on cash and cash equivalents	117	—
Net increase (decrease) in cash and cash equivalents	-23,510	25,546
Cash and cash equivalents at beginning of period	37,368	14,257
Increase in cash and cash equivalents resulting from merger	58	49
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	341	697
Decrease in cash and cash equivalents resulting from corporate division	-0	—
Cash and cash equivalents at end of period	*1 14,257	*1 40,550



## (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: 20

The identities of primary consolidated subsidiaries are provided in “State of Associated Companies.”

In dispensing pharmacy business, Aobado, Kosei, and Shimizu Pharmacy became a consolidated subsidiary of the Company due to an increase in its significance in the current consolidated fiscal year.

(2) Name of Main Non-consolidated Subsidiary

Name of main non-consolidated subsidiary:

Nextit Research Institute

(Reason excluded from range of connection)

All non-consolidated subsidiaries are small in size and do not significantly affect the Company’s consolidated total assets, net sales, consolidated net income, or retained earnings. Moreover, if taken as a whole, they are insignificant and therefore are not consolidated.

### 2. Application of Equity Method

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

Names of Primary Affiliates:

Sakai Yakuhin

(2) State of Non-consolidated Subsidiaries and Affiliates Not Accounted for by Equity Method

Names of primary non-consolidated subsidiaries:

Nextit Research Institute

Names of Primary Affiliates:

Kyoei Yakuhin

(Reason for non-application of the equity method)

Non-consolidated subsidiaries and affiliates not accounted for by the equity method are excluded because they do not individually have any significant effect on the Company’s consolidated net income or retained earnings, and are also insignificant as a whole.

### 3. Fiscal Years Adopted by Consolidated Subsidiaries

The final day of the fiscal year of each consolidated subsidiary corresponds to the date of the Company’s consolidated financial statements.

### 4. Accounting Principles

(1) Basis and Method of Valuation of Significant Assets

① Securities

Held-to-maturity debt securities

Stated at cost amortized on a straight-line basis.

Other securities

With available fair market value:

..... Stated at fair market value based principally on the market price as of the end of the fiscal year. (All unrealized gains and losses are included as separate components of net assets, with the cost of securities sold determined using the moving-average method.)

With no available fair market value:

..... Stated at moving-average cost.

② Inventories

Five consolidated subsidiaries (TOHO PHARMACEUTICAL, Kyushu Toho, SAYWELL, Koyo and Godo Toho) value inventories at moving-average cost (the book value devaluation method based on lowered profitability for balance sheets amounts).

Other consolidated subsidiaries value inventories at cost using the last purchase price method. (the book value devaluation method based on lowered profitability for balance sheets amounts).

## (2) Method of Depreciation of Significant Depreciable Assets

### ① Property, plants, and equipment (Excluding lease assets)

Depreciated by the declining-balance method. Buildings (except structures attached to buildings) acquired on and after April 1, 1998 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
Equipment and fixtures:	5 - 15 years

### ② Intangible fixed assets (Excluding lease assets)

Amortized by the straight-line method.

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

### ③ Lease assets

Lease assets concerning finance lease transactions that do not transfer the ownership of the lease assets:

Lease assets of finance lease transactions that do not transfer the ownership of the lease assets are accounted using the straight-line method with their residual values being zero over their leased periods deemed to be their years of useful life.

In addition, of finance lease transactions that do not transfer the ownership of the lease assets, those whose date of commencement of leasing is prior to March 31, 2008, are accounted based on the accounting method applicable to ordinary operating leases.

## (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 normal receivables. For certain receivables, including those subject to possible loss, the recoverability of individual accounts is investigated and the uncollectible amount estimated.

### ② Provision for bonuses

An amount accrued for the consolidated fiscal year under review among the estimated amount payable is recorded to fund bonus payments to eligible employees and directors.

### ③ Provision for directors' bonuses

In order to fund directors' bonuses from the estimated amount payable, the obligation for this fiscal year is recorded.

### ④ Provision for sales returns

The estimated amount of losses on future sales returns is provided to cover possible losses on sales returns.

### ⑤ Provision for loss on dissolution of employees' pension fund

In order to provide for losses expected to be incurred in connection with dissolution of employees' pension fund, provision for such losses is provided at an estimated amount.

#### (Additional Information)

Representatives for members of the multi-employer pension fund, which some of the Company's consolidated subsidiaries join, decided at a meeting held on December 25, 2014 to apply for dissolution of the fund and permission was granted on March 25, 2015. In association with this, provision of allowance for loss on dissolution of employees' pension fund of 170 million yen appears as extraordinary losses on the consolidated profit and loss statement for the consolidated fiscal year ended March 31, 2015, while provision for loss on dissolution of employees' pension fund of 170 million yen is recorded as current liabilities on the consolidated balance sheet for the said year.

### (4) Accounting method for retirement benefits

6 consolidated subsidiaries (Square One, J.Mirai Medical, Pharma Mirai VEGA PHARMA, Tokyo Research Center of Clinical Pharmacology, and ALF) adopt the simplified method in calculating projected benefit obligations for lump-sum retirement benefit plans, recording liabilities at amounts to be required for voluntary termination at the year-end. The Company submitting consolidated financial statements and three consolidated subsidiaries (TOHO PHARMACEUTICAL, Godo Toho 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 2015 to prepare for the payment of retirement benefits to these employees. Actuarial differences 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 in Consolidated Statements of Cash Flows

Cash consists of cash on hand, cash deposits withdrawable on demand, and short-term investments readily convertible into cash that bear only a minimum risk of changing in value, and which become due within three months following the date of acquisition.

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

### Method of Accounting for Consumption Taxes and Others

Transactions subject to consumption tax are accounted for exclusive of consumption tax.

#### (Change in the Accounting Treatment)

##### (Application of Accounting Standards for Retirement Benefits, etc.)

Starting from the consolidated fiscal year under review, the Company has adopted the provisions of the main clause of Paragraph 35 of the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012; hereinafter referred to as the “Retirement Benefits Accounting Standard”) and the main clause of Paragraph 67 of the Guidance on Accounting Standards for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015; hereinafter referred to as the “Retirement Benefits Guidance”). Accordingly, the Company has reviewed the calculation method for retirement benefit liability and changed the method of determining the discount rate from the one that uses a discount rate on bonds having approximately the same number of years of the remaining period until maturity as that of the average remaining service period of employees, to a method that uses a single weighted average discount rate that reflects the estimated period for retirement benefit payments and the amount of retirement benefit payments for each estimated payment period.

As for the application of Retirement Benefits Accounting Standard, etc., in accordance with the transitional treatment set forth in Paragraph 37 of the Retirement Benefits Accounting Standard, the effect of the change in the calculation method for retirement benefit liability was added to or deducted from retained earnings at the beginning of the consolidated fiscal year ended March 31, 2015.

As a result, at the beginning of the consolidated fiscal year ended March 31, 2015, retirement benefits-related liabilities increased by 43 million yen and retained earnings decreased by 28 million yen. The impact of this change on profit and loss for the consolidated fiscal year ended March 31, 2015 is minimal.

The impact of this change on net assets amount per share, net income per share, and diluted net income per share after adjustments on potential shares for the consolidated fiscal year ended March 31, 2015 is also minimal.

#### (Change in the Accounting Treatment)

##### (Note to Consolidated Statements of Cash Flows)

“Loss (gain) on redemption of investment securities”, “Loss (gain) on sales of golf club memberships” and “Loss on valuation of golf club memberships” which were presented as a separate item of “Cash flows from operating activities” in the previous consolidated fiscal year are included in “Others” from the consolidated fiscal year ended March 31, 2015, as their significance in terms of amount has become negligible.

In order to reflect this change in presentation, the composition of the consolidated financial statements for the previous consolidated fiscal year was changed.

As a result, “Loss on valuation of golf club memberships” of 0 million yen and “Others” of -4,086 million yen presented as “Cash flows from operating activities” on the Consolidated Statements of Cash Flows for the previous consolidated fiscal year appear as “Others” of -4,085 million yen.

#### (Additional Information)

##### (Revision of amount of deferred tax assets and deferred tax liabilities owing to change in tax rates such as corporate income tax rate)

Following the promulgation of the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 9 of 2015) and the Act for Partial Amendment of the Local Tax Act, etc. (Act No. 2 of 2015) on March 31, 2015, the Company is subject to the reduced corporate income tax rate, etc. effective for consolidated fiscal years beginning on or after April 1, 2015. In association with this, the effective statutory tax rate used in the consolidated fiscal year under review to calculate deferred tax assets and deferred tax liabilities was changed from 35.6% used in the previous consolidated fiscal year to 33.1% for temporary differences expected to be eliminated in the consolidated fiscal year beginning on April 1, 2015, and to 32.3% for those expected to be eliminated in the consolidated fiscal year commencing on April 1, 2016 onwards.

As a result, deferred tax liabilities (after offsetting deferred tax assets) and deferred tax liabilities for land revaluation decreased by 1,390 million yen and 99 million yen, respectively; valuation difference on available-for-sale securities and difference in revaluation of land increased by 964 million yen and 91 million yen, respectively; and income taxes-deferred recorded for the consolidated fiscal year ended March 31, 2015 decreased by 434 million yen.

## (Notes to Consolidated Balance Sheets)

## \*1 Accumulated depreciation of property, plant and equipment:

	Fiscal 2014 (As of March 31, 2014)	Fiscal 2015 (As of March 31, 2015)
	41,133 million yen	44,020 million yen

## \*2 Investments in non-consolidated subsidiaries and affiliates:

	Fiscal 2014 (As of March 31, 2014)	Fiscal 2015 (As of March 31, 2015)
Investment securities	9,192 million yen	10,446 million yen

## \*3 Assets pledged as collateral and liabilities secured by collateral

## Classified assets pledged

	Fiscal 2014 (As of March 31, 2014)	Fiscal 2015 (As of March 31, 2015)
Time deposits	375 million yen	375 million yen
Buildings	5,636 million yen	5,182 million yen
Land	7,494 million yen	7,805 million yen
Investment securities	2,628 million yen	4,582 million yen
Total	16,135 million yen	17,946 million yen

Out of buildings and land pledged in Fiscal 2014, 1,954 million yen and 2,410 million yen, respectively, as well as out of those pledged in Fiscal 2015, 1,852 million yen and 2,410 million yen, respectively, were pledged as collateral against consolidated subsidiaries' debt, which the Company has guaranteed.

## Liabilities secured by collateral

	Fiscal 2014 (As of March 31, 2014)	Fiscal 2015 (As of March 31, 2015)
Notes and accounts payable	19,554 million yen	22,302 million yen
Long-term debt (including current portion of long-term debt due within one year)	6,468 million yen	6,754 million yen
Total	26,023 million yen	29,057 million yen

## 4 Liabilities guaranteed

## ① Bank loans guaranteed

	Fiscal 2014 (As of March 31, 2014)	Fiscal 2015 (As of March 31, 2015)
Wakaba and 2 other cases	32 million yen	Akagi Jibiinkoka 3 million yen

## ② Accounts payable guaranteed

	Fiscal 2014 (As of March 31, 2014)	Fiscal 2015 (As of March 31, 2015)
Kyoei yakuhin	58 million yen	Kyoei yakuhin 70 million yen

## ③ Leases guaranteed

	Fiscal 2014 (As of March 31, 2014)	Fiscal 2015 (As of March 31, 2015)
Showa Hospital Saibikai and other case	52 million yen	Akagi Jibiinkoka 8 million yen

\*5 Land revaluation

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

• 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, promulgated on March 31, 1998)

• Date of revaluation:.

March 31, 2002

	Fiscal 2014 (As of March 31, 2014)	Fiscal 2015 (As of March 31, 2015)
Difference in value of land revalued between market and revalued book value at fiscal year-end	1,941 million yen	1,847 million yen

\*6 The Consolidated subsidiaries have been lending commitment agreements with nine trading banks to facilitate efficient procurement of working funds.

	Fiscal 2014 (As of March 31, 2014)	Fiscal 2015 (As of March 31, 2015)
Lending commitments	12,000 million yen	12,000 million yen
Balance borrowed	— million yen	— million yen
Total remainder	12,000 million yen	12,000 million yen

In addition, the Company has entered into a lending commitment agreement with one trading bank to facilitate the efficient procurement of general business funds.

	Fiscal 2014 (As of March 31, 2014)	Fiscal 2015 (As of March 31, 2015)
Lending commitments	1,000 million yen	1,000 million yen
Balance borrowed	— million yen	— million yen
Total remainder	1,000 million yen	1,000 million yen

## (Notes to Consolidated Profit and Loss Statement)

## \*1 Gains on sales of noncurrent assets comprising:

	Fiscal 2014 (From April 1, 2013 to March 31, 2014)	Fiscal 2015 (From April 1, 2014 to March 31, 2015)
Gain on sale of buildings	138 million yen	24 million yen
Gain on sales of land	229 million yen	41 million yen
Gain on sale of vehicles and carriers	2 million yen	0 million yen
Total	370 million yen	66 million yen

## \*2 Losses on disposal of noncurrent assets comprise:

	Fiscal 2014 (From April 1, 2013 to March 31, 2014)	Fiscal 2015 (From April 1, 2014 to March 31, 2015)
Loss on retirement of buildings	289 million yen	129 million yen
Loss on retirement of tools, furniture and fixtures	18 million yen	10 million yen
Loss on retirement of software	10 million yen	8 million yen
Loss on sale of buildings	6 million yen	0 million yen
Loss on sale of land	119 million yen	37 million yen
Loss on sale of vehicles and carries	1 million yen	0 million yen
Total	446 million yen	186 million yen

## \*3 Impairment losses

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

The Group identifies asset groups as being individual branches or stores classified as real estate used for business use and individual assets as classified as real estate for rent and real estate that is unused.

As for goodwill, the Group classifies goodwill into groups by identifying each business carried out by the Company and each Group's member company as the smallest unit.

## Fiscal 2014 (From April 1, 2013 to March 31, 2014)

Location	Purpose	Class
Oita Sales Office and 12 other sites	Real estate for business use	Land and buildings
Former Tokuyama Sales Office and 22 other sites	Real estate unused	Land and buildings
—	—	Good will

The Group reduced to the recoverable amount the book value of business-use real estate due to consecutive losses in value, and recognized an impairment loss of 64 million yen. It comprised 10 million yen on land and 53 million yen on buildings. The recoverable amount was measured on the basis of the scheduled net sale price. The recoverable amounts were basically based on assessments supplied by real estate appraisers, but some assets whose assessments proved insignificant were assessed in reference to the tax assessments of noncurrent assets.

In relation to unused real estate that is not used for business purposes, an impairment loss of 173 million yen was recognized due to the continuous decline in market prices. It comprised 152 million yen on land and 21 million yen on buildings. The Group measures recoverable amounts on the basis of net sales prices. The recoverable amounts were based on assessments supplied by real estate appraisers, but some assets whose assessments proved insignificant were assessed in reference to tax assessments of fixed assets.

Since earning profits as initially projected is considered unlikely, the Group reduced its book value to the recoverable value, and realized an impairment loss of 109 million yen. In the measurement of the recoverable value, value in use calculated by discounting the future cash flow at a discount rate of 6.0% is used.

## Fiscal 2015 (From April 1, 2014 to March 31, 2015)

Location	Purpose	Class
Kurashiki Sales Office and 8 other sites	Real estate for business use	Land and buildings
Kyusyu Toho former Kumamoto head office and 17 other sites	Real estate unused	Land, buildings and goodwill

The Group reduced to the recoverable amount the book value of business-use real estate due to consecutive losses in value, and recognized an impairment loss of 193 million yen. It comprised 120 million yen on land and 73 million yen on buildings. The recoverable amount was measured on the basis of the scheduled net sale price. The recoverable amounts were basically based on assessments supplied by real estate appraisers, but some assets whose assessments proved insignificant were assessed in reference to the tax assessments of noncurrent assets.

In relation to unused real estate that is not used for business purposes, an impairment loss of 282 million yen was recognized due to the continuous decline in market prices. It comprised 187 million yen on land and 83 million yen on buildings and 11 million yen on goodwill. The Group measures recoverable amounts on the basis of net sales prices. The recoverable amounts were based on assessments supplied by real estate appraisers, but some assets whose assessments proved insignificant were assessed in reference to tax assessments of fixed assets.

(Notes to Consolidated Statements of Comprehensive Income)

\*1 Recycling and tax effects concerning other comprehensive income

	Fiscal 2014 (From April 1, 2013 to March 31, 2014)	Fiscal 2015 (From April 1, 2014 to March 31, 2015)
Valuation difference on available-for-sale securities		
Amount accrued for the current term	-249 million yen	15,201 million yen
Recycling	1 million yen	-6,360 million yen
Before tax effect adjustment	-247 million yen	8,841 million yen
Tax effects	83 million yen	-1,181 million yen
Valuation difference on available-for-sale securities	-164 million yen	7,659 million yen
Revaluation reserve for land		
Amount accrued for the current term	—	—
Recycling	—	—
Before tax effect adjustment	—	—
Tax effects	—	91 million yen
Revaluation reserve for land	—	91 million yen
Share of other comprehensive income of associates accounted for using equity method		
Amount accrued for the current term	-4 million yen	100 million yen
Total other comprehensive income	-168 million yen	7,851 million yen

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

Fiscal 2014 (From April 1, 2013 to March 31, 2014)

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

Types of stocks	No. of stocks as of end of fiscal 2013 (in thousand stocks)	No. of stocks increased during fiscal 2014 (in thousand stocks)	No. of stocks decreased during fiscal 2014 (in thousand stocks)	No. of stocks as of the end of fiscal 2014 (in thousand stocks)
Outstanding stocks				
Common stocks	78,270	—	—	78,270
Total	78,270	—	—	78,270
Treasury stock				
Common stocks (Note 1,2)	7,690	211	5,021	2,881
Total	7,690	211	5,021	2,881

(Note) 1. The increase of 211,000 shares in treasury common stocks represents an increase of 209,000 shares authorized by the Board of Directors and an increase of 1,000 shares as a result of the purchase of odd-lot shares.

2. The decrease of 5,021,000 shares in treasury common stocks represents a decrease of 5,000,000 shares as a result of disposal through a public offering and a decrease of 21,000 shares as a result of disposal through an allocation to third parties.

2. Subscription rights to shares and treasury shares

Account	Details of subscription rights to shares	Types of subscription rights to shares	Number of subscription rights to shares				Balance at end of fiscal 2014 (million yen)
			End of fiscal 2013	fiscal 2014 (Increase)	fiscal 2014 (Decrease)	End of fiscal 2014	
TOHO HOLDINGS	Subscription rights to shares as stock options	—	—	—	—	—	28
Total			—	—	—	—	28

### 3. Dividends

#### (1) Dividend Payment

Resolution	Type of shares	Total dividend amount (million yen)	Dividend per share (yen)	Record date	Effective date
May 10, 2013 Board of directors	Common stock	564	8	March 31, 2013	June 10, 2013
November 7, 2013 Board of directors	Common stock	756	10	September 30, 2013	December 5, 2013

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

Resolution	Type of shares	Total dividend amount (million yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
May 9, 2014 Board of directors	Common stock	754	Retained earnings	10	March 31, 2014	June 9, 2014

Fiscal 2015 (From April 1, 2014 to March 31, 2015)

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

Types of stocks	No. of stocks as of end of fiscal 2014 (in thousand stocks)	No. of stocks increased during fiscal 2015 (in thousand stocks)	No. of stocks decreased during fiscal 2015 (in thousand stocks)	No. of stocks as of the end of fiscal 2015 (in thousand stocks)
Outstanding stocks				
Common stocks	78,270	—	—	78,270
Total	78,270	—	—	78,270
Treasury stock				
Common stocks (Note)	2,881	5,355	—	8,236
Total	2,881	5,355	—	8,236

(Note) The increase of 5,355,000 shares in treasury common stocks represents an increase of 5,354,000 shares authorized by the Board of Directors and an increase of 0 shares as a result of the purchase of odd-lot shares.

#### 2. Subscription rights to shares and treasury shares

Account	Details of subscription rights to shares	Types of subscription rights to shares	Number of subscription rights to shares(in thousand stocks)				Balance at end of fiscal 2015 (million yen)
			End of fiscal 2014	fiscal 2015 (Increase)	fiscal 2015 (Decrease)	End of fiscal 2015	
TOHO HOLDINGS	Euro-Yen denominated convertible bonds due 2019 (Note 1,2)	Common stock	—	6,756	—	6,756	—
TOHO HOLDINGS	Subscription rights to shares as stock options	—	—	—	—	—	37
Total			—	6,756	—	6,756	37

(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. Dividends

#### (1) Dividend Payment

Resolution	Type of shares	Total dividend amount (million yen)	Dividend per share (yen)	Record date	Effective date
May 9, 2014 Board of directors	Common stock	754	10	March 31, 2014	June 9, 2014
November 6, 2014 Board of directors	Common stock	904	12	September 30, 2014	December 5, 2014

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

Resolution	Type of shares	Total dividend amount (million yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
May 12, 2015 Board of directors	Common stock	840	Retained earnings	12	March 31, 2015	June 8, 2015



(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

	Fiscal 2014 (From April 1, 2013 to March 31, 2014)	Fiscal 2015 (From April 1, 2014 to March 31, 2015)
Cash on hand and on deposit	18,362 million yen	44,510 million yen
Time deposits maturing beyond three months of deposit	-4,608 million yen	-4,562 million yen
Short-term investments (investment securities) becoming due within three months of acquisition	502 million yen	602 million yen
Cash and cash equivalents	14,257 million yen	40,550 million yen

2 Details of important non-monetary transactions

Fiscal 2014 (From April 1, 2013 to March 31, 2014)

The amounts of assets and liabilities related to finance leases newly accounted for in the current term were 8,333 million yen.

Fiscal 2015 (From April 1, 2014 to March 31, 2015)

The amounts of assets and liabilities related to finance leases newly accounted for in the current term were 644 million yen.

(Segmental Information)

(Segmental Information)

1. Outline of reportable segments

The reported 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 pharmacy 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 Company 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 Pharmaceutical Wholesaling, Dispensing Pharmacy, SMO, and Information Equipment Sales.

Each of the segments is engaged in the following operations: Pharmaceutical Wholesaling, sales of pharmaceuticals, narcotics, reagents, etc., and sales of medical devices; Dispensing Pharmacy, operation of insurance pharmacy and home medical care operations, and sales of pharmaceuticals; SMO, site management organization services; and Information Equipment Sales, design and sales of information processing equipment.

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

The accounting for business segments reported is the same as those described in the Important Items of the Basics of Presenting the Consolidated Financial Statements above on the whole.

Amounts for 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

Fiscal 2014 (from April 1, 2013 to March 31, 2014)

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the 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	1,102,163	85,619	508	1,336	1,189,627	—	1,189,627
(2) Inter-segment internal net sales or transfers	41,840	24	—	290	42,155	-42,155	—
Total	1,144,003	85,644	508	1,626	1,231,783	-42,155	1,189,627
Segment profit	11,466	1,093	295	83	12,939	-611	12,328
Segment assets	492,067	40,868	869	1,983	535,788	44,349	580,137
Other items							
Depreciation	2,052	776	11	34	2,874	834	3,709
Amortization of goodwill	302	2,086	1	—	2,390	—	2,390
Amortization of negative goodwill	710	26	—	—	736	—	736
Impairment loss	168	177	—	—	346	—	346
Investment in equity-method affiliate	1,190	—	—	—	1,190	—	1,190
Unamortized balance of goodwill	837	9,752	—	—	10,590	—	10,590
Unamortized balance of negative goodwill	335	129	—	—	464	—	464
Increase in property, plant and equipment and intangible assets	11,754	1,834	14	273	13,876	18	13,895

(Note) 1. Adjustments reflect the following items.

- (1) The amount of the adjustments for segment profits or losses shows the elimination of internal transactions and unrealized profits.
  - (2) The amount of the adjustments for segment assets includes 60,596 million yen of the Company's assets that are not allocatable to any business segment, in addition to the elimination of internal transactions. The Company's non-allocatable assets consist mainly of a surplus fund under management (cash and deposits) and long-term investment fund (investment securities).
2. The amounts for income or losses in the reportable segments were subsequently adjusted with the amount of operating income on the consolidated profit and loss statement.

Fiscal 2015 (from April 1, 2014 to March 31, 2015)

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the 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	1,068,320	92,060	370	1,396	1,162,148	—	1,162,148
(2) Inter-segment internal net sales or transfers	41,317	45	—	232	41,594	-41,594	—
Total	1,109,638	92,105	370	1,628	1,203,743	-41,594	1,162,148
Segment profit	8,273	1,595	162	65	10,097	-80	10,017
Segment assets	481,775	44,332	765	2,107	528,981	70,968	599,950
Other items							
Depreciation	2,711	883	10	3	3,608	1,121	4,729
Amortization of goodwill	302	2,241	—	—	2,543	—	2,543
Amortization of negative goodwill	335	26	—	—	362	—	362
Impairment loss	442	33	—	—	476	—	476
Investment in equity-method affiliate	1,344	—	—	—	1,344	—	1,344
Unamortized balance of goodwill	535	8,573	—	—	9,108	—	9,108
Unamortized balance of negative goodwill	—	102	—	—	102	—	102
Increase in property, plant and equipment and intangible assets	2,852	1,680	0	287	4,821	36	4,857

(Note) 1. Adjustments reflect the following items.

- (1) The amount of the adjustments for segment profits or losses shows the elimination of internal transactions and unrealized profits.
- (2) The amount of the adjustments for segment assets includes 84,624 million yen of the Company's assets that are not allocatable to any business segment, in addition to the elimination of internal transactions. The Company's non-allocatable assets consist mainly of a surplus fund under management (cash and deposits) and long-term investment fund (investment securities).

2. Matters concerning changes of reportable segments

As explained in Change in the Accounting Treatment, the calculation method for retirement benefit liability changed in the consolidated fiscal year under review. In association with this change, the calculation method for retirement benefit liability of business segments also changed in the same manner.

The impact of this change on segment profit for the consolidated fiscal year under review is negligible.

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

(Related Information)

Fiscal 2014 (from April 1, 2013 to March 31, 2014)

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 profit and loss statements.

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

Of the net sales to outside customers, there are no customers accounting for 10% or more of total net sales under the profit and loss statement. Consequently, this description is omitted.

Fiscal 2015 (from April 1, 2014 to March 31, 2015)

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 profit and loss statements.

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

Of the net sales to outside customers, there are no customers accounting for 10% or more of total net sales under the profit and loss statement. Consequently, this description is omitted.

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

Fiscal 2014 (from April 1, 2013 to March 31, 2014)

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

Fiscal 2015 (from April 1, 2014 to March 31, 2015)

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)

Fiscal 2014 (from April 1, 2013 to March 31, 2014)

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

Fiscal 2015 (from April 1, 2014 to March 31, 2015)

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)

Fiscal 2014 (from April 1, 2013 to March 31, 2014)

Not applicable.

Fiscal 2015 (from April 1, 2014 to March 31, 2015)

Not applicable.

(Information per Share)

	Fiscal 2014 (From April 1, 2013 to March 31, 2014)	Fiscal 2015 (From April 1, 2014 to March 31, 2015)
Net asset per share	1,952.04 yen	2,246.54 yen
Net income per share	139.58 yen	181.83 yen
Net income per share after adjustments on potential shares	139.54 yen	177.74 yen

(Note) 1. The basis of the calculation of net income per share and diluted net income per share after adjustments on potential shares is as follows:

Item	Fiscal 2014 (From April 1, 2013 to March 31, 2014)	Fiscal 2015 (From April 1, 2014 to March 31, 2015)
Net income per share		
Net income (million yen)	10,407	13,535
Amount not related to shareholders of common stock (million yen)	—	—
Net income from common stock (million yen)	10,407	13,535
Average number of shares of outstanding common stock during fiscal year	74,563,314	74,441,239
Net income per share after adjustments on potential shares		
Adjustment for net income (million yen)	—	2
Increase in number of shares of common stock (Including subscription rights to shares)	20,072 (20,072)	1,728,260 (25,187)
Outline of potential shares not included in calculation of current net income 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:

Item	Fiscal 2014 (From April 1, 2013 to March 31, 2014)	Fiscal 2015 (From April 1, 2014 to March 31, 2015)
Total net asset on consolidated balance sheet (million yen)	147,190	157,371
Amounts to be deducted from total net assets (million yen)	28	37
(Subscription rights to shares) (million yen)	(28)	(37)
Net assets concerning common stocks at the end of the term (million yen)	147,162	157,333
Number of shares of common stock used in calculating net asset per share	75,389,013	70,033,694

(Significant Subsequent Events)

(Completion of Acquisition of Company Stock)

The Company's acquisition of treasury stock in accordance with the resolution passed at a Board of Directors' meeting held on December 9, 2014 was completed on April 21, 2015. Treasury stock acquired after the account closing date is as follows:

1. Type of stock acquired: Common stock of this company
2. Total number of shares acquired: 1,129,400 shares
3. Total cost of stock acquired: 2,414,876,073yen
4. Period of acquisition: from April 1, 2015 to April 21, 2015

(Reference) Cumulative total of treasury stock acquired based on the above meeting resolution (as of April 21, 2015)

1. Type of stock acquired: Common stock of this company
2. Total number of shares acquired: 6,483,800 shares
3. Total cost of stock acquired: 11,999,959,266 yen
4. Period of acquisition: from December 10, 2014 to April 21, 2015

(Disclosure omitted)

Notes regarding lease transactions, financial instruments, marketable securities, derivative transactions, retirement benefits, stock options, etc., tax effect accounting, business combinations, asset retirement obligations, rental property and other real estate, and related party information etc. were omitted, since the need for their disclosure in brief announcements of financial results is considered not significant.

## 6. Non-consolidated Financial Statements

### (1) Balance Sheets

(Unit: million yen)

	Fiscal 2014 (As of March 31, 2014)	Fiscal 2015 (As of March 31, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	4,772	22,158
Accounts receivable-trade	0	0
Prepaid expenses	77	85
Deferred tax assets	36	324
Other accounts receivable	1,376	283
Others	10,282	5,456
Allowance for doubtful accounts	-0	—
<b>Total current assets</b>	<b>16,546</b>	<b>28,308</b>
Noncurrent assets		
Property, plant and equipment		
Buildings, net	16,544	15,827
Structures, net	721	630
Tools, furniture and fixtures, net	81	78
Land	18,584	18,784
Lease assets, net	164	107
Construction in progress	11	11
<b>Total property, plant and equipment</b>	<b>36,107</b>	<b>35,439</b>
Intangible assets		
Leasehold right	147	147
Software	81	56
Others	3	3
<b>Total intangible assets</b>	<b>231</b>	<b>207</b>
Investments and other assets		
Investment securities	47,412	53,880
Stocks of subsidiaries and affiliates	26,865	29,536
Investments in capital of subsidiaries and affiliates	157	347
Long-term loans receivable	44	181
Long-term loans receivable from subsidiaries and affiliates	5,052	4,382
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,243	2,141
Long-term prepaid expenses	17	16
Others	1,104	968
Allowance for doubtful accounts	-1,578	-1,414
<b>Total investments and other assets</b>	<b>81,318</b>	<b>90,038</b>
<b>Total noncurrent assets</b>	<b>117,657</b>	<b>125,685</b>
<b>Total assets</b>	<b>134,203</b>	<b>153,993</b>



(Unit: million yen)

	Fiscal 2014 (As of March 31, 2014)	Fiscal 2015 (As of March 31, 2015)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Current portion of long-term loans payable	5,653	3,360
Lease obligations	61	53
Asset retirement obligations	45	—
Accounts payable-other	419	245
Accrued expenses	21	22
Income taxes payable	62	2,397
Accrued consumption taxes	—	210
Deposits received	6,265	2,864
Provision for bonuses	39	42
Provision for directors' bonuses	42	45
Others	4	0
<b>Total current liabilities</b>	<b>12,614</b>	<b>9,242</b>
<b>Noncurrent liabilities</b>		
Bonds payable	—	15,071
Long-term loans payable	6,780	3,700
Lease obligations	112	59
Deferred tax liabilities	13,246	13,974
Deferred tax liabilities for land revaluation	1,136	971
Provision for retirement benefits	6	3
Asset retirement obligations	276	301
Negative goodwill	152	—
Others	193	193
<b>Total noncurrent liabilities</b>	<b>21,904</b>	<b>34,276</b>
<b>Total liabilities</b>	<b>34,519</b>	<b>43,518</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,649	10,649
<b>Capital surplus</b>		
Legal capital surplus	46,177	46,177
Other capital surplus	2,461	2,461
<b>Total Capital surplus</b>	<b>48,638</b>	<b>48,638</b>
<b>Retained earnings</b>		
Legal retained earnings	664	664
<b>Other retained earnings</b>		
Reserve for reduction entry of land	1,142	1,191
General reserve	6,336	6,336
Retained earnings brought forward	19,658	34,167
<b>Total retained earnings</b>	<b>27,801</b>	<b>42,359</b>
Treasury stock	-3,477	-13,063
<b>Total shareholders' equity</b>	<b>83,612</b>	<b>88,583</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	20,331	26,107
Revaluation reserve for land	-4,288	-4,253
<b>Total valuation and translation adjustments</b>	<b>16,043</b>	<b>21,854</b>
Subscription rights to shares	28	37
<b>Total net assets</b>	<b>99,684</b>	<b>110,475</b>
<b>Total liabilities and net assets</b>	<b>134,203</b>	<b>153,993</b>

## (2) Profit and Loss Statement

(Unit: million yen)

	Fiscal 2014 (From April 1, 2013 to March 31, 2014)	Fiscal 2015 (From April 1, 2014 to March 31, 2015)
<b>Operating revenue</b>		
Income of management guidance	1,096	1,144
Income of real estate rent	1,722	2,084
Dividends income	2,479	8,707
<b>Total Operating revenue</b>	<b>5,298</b>	<b>11,935</b>
<b>Operating expenses</b>		
Real estate related expenses	1,264	1,486
General and administrative expenses		
Directors' compensations, salaries and allowances	777	766
Provision for bonuses	39	42
Provision for directors' bonuses	42	45
Provision for retirement benefits	-0	-2
Welfare expenses	96	94
Vehicle expenses	1	1
Provision of allowance for doubtful accounts	-279	-165
Depreciation	90	132
Rent expenses	301	116
Taxes and dues	122	169
Others	685	659
<b>Total operating expenses</b>	<b>3,142</b>	<b>3,347</b>
<b>Operating income</b>	<b>2,155</b>	<b>8,588</b>
<b>Non-operating income</b>		
Interest income	285	240
Dividend income	919	1,279
Commission fee	86	105
Real estate rent	2	2
Amortization of negative goodwill	183	152
Foreign exchange gains	117	—
Others	146	94
<b>Total non-operating income</b>	<b>1,740</b>	<b>1,875</b>
<b>Non-operating expenses</b>		
Interest expenses	282	174
Bond issuance expenses	—	49
Commitment fee	1	2
Miscellaneous loss	11	20
<b>Total non-operating expenses</b>	<b>296</b>	<b>247</b>
<b>Ordinary income</b>	<b>3,600</b>	<b>10,216</b>

(Unit: million yen)

	Fiscal 2014 (From April 1, 2013 to March 31, 2014)	Fiscal 2015 (From April 1, 2014 to March 31, 2015)
Extraordinary income		
Gain on sales of noncurrent assets	1	17
Gains on sales of investment securities	0	9,560
Gain on extinguishment of tie-in shares	268	—
Total extraordinary income	269	9,577
Extraordinary loss		
Loss on disposal of noncurrent assets	169	23
Impairment loss	8	134
Others	—	0
Total extraordinary loss	178	158
Income before income taxes	3,691	19,635
Income taxes-current	85	4,297
Income taxes-deferred	87	-821
Total income taxes and other	172	3,475
Net income	3,518	16,160

## (3) Consolidated Statement of Changes in Shareholders' Equity

Fiscal 2014 (From April 1, 2013 to March 31, 2014)

(Unit: million yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the end of previous period	10,649	46,177	790	46,967
Cumulative effects of changes in accounting policies				
Restated balance	10,649	46,177	790	46,967
Changes of items during the period				
Dividends from surplus				
Net income				
Reversal of reserve for reduction entry of land				
Increase in reserve owing to tax rate change				
Purchase of treasury stock				
Disposal of treasury stock			1,670	1,670
Reversal of revaluation reserve for land				
Net changes of items other than shareholders' equity				
Total changes of items during the period	—	—	1,670	1,670
Balance at the end of current period	10,649	46,177	2,461	48,638

	Shareholders' equity						
	Legal retained earnings	Other retained earnings			Total retained earnings	Treasury stock	Total shareholder's equity
		Reserve for reduction entry of land	General reserve	Retained earnings brought forward			
Balance at the end of previous period	664	1,150	6,336	17,450	25,601	-9,069	74,149
Cumulative effects of changes in accounting policies				—	—		—
Restated balance	664	1,150	6,336	17,450	25,601	-9,069	74,149
Changes of items during the period							
Dividends from surplus				-1,320	-1,320		-1,320
Net income				3,518	3,518		3,518
Reversal of reserve for reduction entry of land		-8		8	—		—
Increase in reserve owing to tax rate change		—		—	—		—
Purchase of treasury stock						-338	-338
Disposal of treasury stock						5,930	7,601
Reversal of revaluation reserve for land				2	2		2
Net changes of items other than shareholders' equity							
Total changes of items during the period	—	-8	—	2,208	2,199	5,592	9,463
Balance at the end of current period	664	1,142	6,336	19,658	27,801	-3,477	83,612

(Unit: million yen)

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the end of previous period	16,767	-4,286	12,481	—	86,630
Cumulative effects of changes in accounting policies					
Restated balance	16,767	-4,286	12,481	—	86,630
Changes of items during the period					
Dividends from surplus					-1,320
Net income					3,518
Reversal of reserve for reduction entry of land					—
Increase in reserve owing to tax rate change					—
Purchase of treasury stock					-338
Disposal of treasury stock					7,601
Reversal of revaluation reserve for land					2
Net changes of items other than shareholders' equity	3,563	-2	3,561	28	3,590
Total changes of items during the period	3,563	-2	3,561	28	13,053
Balance at the end of current period	20,331	-4,288	16,043	28	99,684

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the end of previous period	10,649	46,177	2,461	48,638
Cumulative effects of changes in accounting policies				
Restated balance	10,649	46,177	2,461	48,638
Changes of items during the period				
Dividends from surplus				
Net income				
Reversal of reserve for reduction entry of land				
Increase in reserve owing to tax rate change				
Purchase of treasury stock				
Disposal of treasury stock			—	—
Reversal of revaluation reserve for land				
Net changes of items other than shareholders' equity				
Total changes of items during the period	—	—	—	—
Balance at the end of current period	10,649	46,177	2,461	48,638

	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 end of previous period	664	1,142	6,336	19,658	27,801	-3,477	83,612
Cumulative effects of changes in accounting policies				-0	-0		-0
Restated balance	664	1,142	6,336	19,658	27,801	-3,477	83,612
Changes of items during the period							
Dividends from surplus				-1,658	-1,658		-1,658
Net income				16,160	16,160		16,160
Reversal of reserve for reduction entry of land		-8		8	—		—
Increase in reserve owing to tax rate change		57		-57	—		—
Purchase of treasury stock						-9,586	-9,586
Disposal of treasury stock						—	—
Reversal of revaluation reserve for land				56	56		56
Net changes of items other than shareholders' equity							
Total changes of items during the period	—	49	—	14,508	14,557	-9,586	4,971
Balance at the end of current period	664	1,191	6,336	34,167	42,359	-13,063	88,583

(Unit: million yen)

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the end of previous period	20,331	-4,288	16,043	28	99,684
Cumulative effects of changes in accounting policies					-0
Restated balance	20,331	-4,288	16,043	28	99,683
Changes of items during the period					
Dividends from surplus					-1,658
Net income					16,160
Reversal of reserve for reduction entry of land					—
Increase in reserve owing to tax rate change					—
Purchase of treasury stock					-9,586
Disposal of treasury stock					—
Reversal of revaluation reserve for land					56
Net changes of items other than shareholders' equity	5,776	34	5,811	9	5,820
Total changes of items during the period	5,776	34	5,811	9	10,791
Balance at the end of current period	26,107	-4,253	21,854	37	110,475