

Summary of Consolidated Financial Results for the Third Quarter of Fiscal 2015

February 2, 2015

Name of Listed Company: TOHO HOLDINGS CO., LTD. Listed: Tokyo Stock Exchange
 Securities Code Number: 8129 URL: <http://www.tohohd.co.jp>
 Corporate Representative / Title: Norio Hamada / President and Representative Director
 Contact Representative / Title: Mamoru Ogino / Director and General Manager of Finance division
 TEL: +81-3-3419-7893

Scheduled Submission Date for Quarterly Report: Feb 13, 2015 Planned Date of Dividends Payment: —

Quarterly Supplemental Explanatory Material Prepared: None

Quarterly Results Briefing Held: None

(Amounts are truncated to the nearest million yen.)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 2015

(from Apr 1, 2014 to Dec 31, 2014)

(1) Consolidated Results of Operations (Cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Current Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third Quarter of Fiscal 2015	877,782	-2.3	7,900	-24.3	12,371	-18.1	10,997	20.4
Third Quarter of Fiscal 2014	898,889	4.2	10,432	22.2	15,102	15.7	9,134	16.3

(Note) Comprehensive income: Third Quarter of Fiscal 2015: 12,045 million yen (26.7 %); Third Quarter of Fiscal 2014: 9,508 million yen (11.0 %)

	Current Net Income per Share	Current Net Income per Share - Diluted
	Yen	Yen
Third Quarter of Fiscal 2015	146.03	145.89
Third Quarter of Fiscal 2014	122.95	122.92

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	Million yen	Million yen	%
Third Quarter of Fiscal 2015	635,188	155,092	24.4
Fiscal 2014	580,137	147,190	25.4

(Reference) Shareholder's equity: Third Quarter of Fiscal 2015: 155,054 million yen; Fiscal 2014 : 147,162 million yen

2. Historical Payment of Dividends

	Annual Cash Dividend per Share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2014	—	10.00	—	10.00	20.00
Fiscal 2015	—	12.00	—	—	—
Fiscal 2015 (Projected)	—	—	—	12.00	24.00

(Note) Revision of dividend forecast in the current quarter: None

Breakdown of cash dividends for the first half of fiscal 2015 Commemorative dividend: 2yen Ordinary dividend: 10yen

3. Consolidated Projected Results of Operations during Fiscal Year 2015 (from April 1, 2014 to March 31, 2015)

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

	Net Sales		Operating Income		Ordinary Income		Current Net Income		Current Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Year-end	1,161,000	-2.4	8,900	-27.8	14,500	-20.8	11,700	12.4	157.20

(Note) Revision of consolidated projected results of operations in the current quarter: None

※ Notes

(1) Changes in material subsidiaries during the third quarter of fiscal 2015: N.A.

(Changes in special subsidiaries accompanying a change in the scope of consolidation)

Inclusion — (—) Exclusion — (—)

(2) Application of accounting process which is peculiar to the compilation of consolidated quarterly financial statements: N.A.

(3) Changes in accounting policies and changes in accounting estimates, and correction and restatement

(i) Changes in accounting policies with revisions in the accounting standards, etc.: 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

For details, please refer to (3) Changes in Accounting Policies and Changes in Accounting Estimates, and Correction and Restatement in the section 2. Matters Concerning Summary Information (Notes) on page 3 of the Attached Document.

(4) Number of shares outstanding (Common stock)

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

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

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

Third Quarter of FY2015	78,270,142	FY2014	78,270,142
Third Quarter of FY2015	4,433,304	FY2014	2,881,129
Third Quarter of FY2015	75,306,403	Third Quarter of FY2014	74,293,064

* Indicates quarterly review procedure implementation status

This quarterly earnings report is exempt from the quarterly review procedure under the Financial Instruments and Exchange Act. The quarterly financial statements are under the quarterly review procedure process at the time of disclosure of this report.

* Explanation of Appropriate Use of Performance Projections and Other Items Requiring Special Description

Any forward-looking statements contained in this report, including performance projections, are based on information currently available to the Company as well as certain assumptions that the Company determined to be rational at the time of the release of this report, and it is not intended that the Company undertake to achieve such results. Actual results may differ significantly from the projections above, due to a variety of factors.

Please refer to Qualitative Information on Projected Consolidated Results of Operations on page 2 of this report (the Attached Document) for the suppositions on which the performance projections are based and points that have to be borne in mind for the use of such projections.

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1. Qualitative Information on Financial Results for the Third Quarter of Fiscal 2015

(1) Explanation of Management Results

The prescription pharmaceuticals market experienced NHI drug price reductions and generic drugs usage promotion when medical treatment fees and NHI drug prices were revised in April 2014, so long-listed drugs' sales have been continually decreasing. Accordingly, the market volume during the third quarter of fiscal 2015 as a whole posted a 2.9% decrease from the previous quarter period (estimated by CRECON Research & Consulting Inc.).

Under these circumstances, in the field of pharmaceutical wholesaling operations, the TOHO HOLDINGS Group strived to secure profits from fee business toward the reform into value-added service model as well as to control appropriate profits more thoroughly than before. At the same time, the Company carried out thorough cost-cutting measures through the comprehensive reform of marketing and distribution utilizing distribution centers and call centers for operating efficiency.

As a result, the Company's operating results for the consolidated cumulative third quarter of the fiscal year ending March 2015 recorded 877,782 million yen for net sales (a decrease of 2.3% on a year-on-year basis), 7,900 million yen for operating income (a decrease of 24.3% on a year-on-year basis), 12,371 million yen for ordinary income (a decrease of 18.1% on a year-on-year basis), and 10,997 million yen for net income (an increase of 20.4% on a year-on-year basis).

For the sake of strengthening the financial base, the Company issued convertible bonds of 15 billion yen and simultaneously decided to acquire its own shares of about 12 billion yen in December 2014. Therefore, it started to acquire its own shares since then and endeavored to improve capital efficiency.

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

In the pharmaceutical wholesaling operations, the TOHO HOLDINGS Group was evaluated on its proposal-based marketing and sales activities centered on its unique customer support systems, so that it could strengthen the relationships with medical institutions. Though net sales decreased on a year on year basis, the Company strived to keep gross profit both by enforcing price control structure in each category and by pursuing profits from fee business toward a change into value-added service model.

As a result, net sales were 839,891 million yen, a decrease by 2.9% against the same period of the preceding year and operating income were 7,575 million yen, a decrease by 18.3% on a year-on-year basis.

In the field of dispensing pharmacy operations, the Company took measures to improve profitability through management of pharmacies corresponded to medical treatment fees revisions and to reduce the expenditure by the standardization of pharmacy operation and consolidation to the headquarters. As a result, net sales were 68,664 million yen, an increase by 6.9% against the same period of the preceding year and operating income were 458 million yen, a decrease by 55.6% on a year-on-year basis.

In the SMO operations, net sales for the third quarter of fiscal 2015 amounted to 241 million yen (a year-on-year decrease of 38.1%) and segment income (operating income) was 86 million yen.

In the information equipment sales operations, net sales for the third quarter of fiscal 2015 amounted to 908 million yen (a year-on-year decrease of 13.9%) and segment loss (operating loss) was 127 million yen.

(Note) Segment sales include inter-segment transactions.

(2) Explanation of Financial Position

(Assets)

Current assets as of the end of December 2014 increased 14.1% from the end of the previous consolidated fiscal year to 474,112 million yen, due mainly to an increase in cash and deposits of 42,108 million yen, and an increase in notes and accounts receivable-trade of 16,671 million yen.

Noncurrent assets as of the end of December 2014 decreased 2.2% compared with the end of the preceding consolidated fiscal year to 161,075 million yen, due mainly to a decrease in property, plant and equipment of 1,016 million yen, and a decrease in goodwill of 855 million yen, and a decrease in investments and other assets of 1,643 million yen.

As a result, consolidated net assets rose 9.5% from a year earlier, to 635,188 million yen.

(Liabilities)

Current liabilities increased 9.6% from the end of the previous consolidated fiscal year to 427,937 million yen with an increase in notes and accounts payable-trade of 39,061 million yen, and a decrease in short-term loans payable of 4,472 million yen.

Noncurrent liabilities increased 22.3% from the end of the previous consolidated fiscal year, to 52,158 million yen, due to an increase in bonds payable of 15,075 million yen, and a decrease in long-term loans payable of 2,879 million yen.

As a result, total liabilities increased 10.9% year-on-year to 480,096 million yen.

(Net assets)

Total net assets were up 5.4% from the end of the previous consolidated fiscal year, to 155,092 million yen, with an increase in retained earnings of 9,408 million yen, and an increase in treasury stocks of 2,524 million yen.

(3) Qualitative Information on Projected Consolidated Results of Operations

There are no changes in the projected consolidated results of operations for the full-term of fiscal 2015 published on November 6, 2014.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Material Subsidiaries during the Third Quarter of Fiscal 2015

Not Applicable.

(2) Application of Accounting Process which is Peculiar to the Compilation of Consolidated Quarterly Financial Statements

Not Applicable.

(3) Changes in Accounting Policies and Changes in Accounting Estimates, and Correction and Restatement (Change in the Accounting Policies)

With regard to the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26, dated May 17, 2012; hereinafter referred to as the “Retirement Benefits Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, dated May 17, 2012; hereinafter referred to as the “Guidance on Retirement Benefits”), the Company has adopted the provisions stipulated in the texts of Section 35 of the Retirement Benefits Accounting Standard and of Section 67 of the Guidance on Retirement Benefits from this consolidated first quarter onward. Accordingly, the Company reviewed methods for calculating retirement benefit obligations and changed its method for deciding the discount rate from the traditional method in which the bond duration period as the benchmark for deciding the discount rate shall be set as the number of years that approximates the employees’ average remaining service period to a new method in which the Company adopts a single weighted average discount rate that reflects both expected payment periods for retirement benefits and the amount for each expected payment period.

As for the application of the Retirement Benefits Accounting Standard and the like, the Company adjusted retained earnings at the beginning of this consolidated third quarter by reflecting the effect of the change in the method of calculating retirement benefit obligations, in accordance with the transitional treatment as stipulated in Section 37 of the Retirement Benefits Accounting Standard.

As a result, provision for retirement benefits increased by 43 million yen, while retained earnings decreased by 28 million yen at the beginning of this consolidated third quarter. Also please note that the effect on the profit and loss for the cumulative period for this consolidated third quarter is minor.

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Million of yen)

	Fiscal 2014 (As of March 31, 2014)	End of consolidated this third quarter (As of December 31, 2014)
Assets		
Current assets		
Cash and deposits	18,362	60,471
Notes and accounts receivable-trade	281,742	298,413
Short-term investment securities	502	502
Merchandise and finished goods	81,424	77,015
Other	34,046	38,251
Allowance for doubtful accounts	-649	-542
Total current assets	415,429	474,112
Noncurrent assets		
Property, plant and equipment	85,574	84,557
Intangible assets		
Goodwill	10,590	9,734
Other	3,419	3,302
Total intangible assets	14,009	13,036
Investments and other assets		
Other	66,770	65,239
Allowance for doubtful accounts	-1,644	-1,757
Total investments and other assets	65,125	63,482
Total noncurrent asset	164,708	161,075
Total assets	580,137	635,188

(Million of yen)

	Fiscal 2014 (As of March 31, 2014)	End of consolidated this third quarter (As of December 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	361,976	401,038
Short-term loans payable	12,200	7,727
Income taxes payable	3,285	4,333
Provision for bonuses	3,562	1,732
Provision for directors' bonuses	80	58
Provision for sales returns	302	354
Asset retirement obligations	45	-
Other	8,845	12,692
Total current liabilities	390,299	427,937
Noncurrent liabilities		
Bonds payable	-	15,075
Long-term loans payable	12,308	9,429
Provision for loss on dissolution of employee's pension fund	-	170
Provision for retirement benefits	1,527	1,639
Asset retirement obligations	1,080	1,079
Negative goodwill	464	109
Other	27,267	24,656
Total noncurrent liabilities	42,647	52,158
Total liabilities	432,947	480,096
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	47,814	47,814
Retained earnings	83,898	93,307
Treasury stock	-3,437	-5,961
Total shareholders' equity	138,926	145,810
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,547	13,595
Revaluation reserve for land	-4,311	-4,351
Total accumulated other comprehensive income	8,236	9,243
Subscription rights to shares	28	37
Total net assets	147,190	155,092
Total liabilities and net assets	580,137	635,188

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

Quarterly Consolidated Profit and Loss Statement

[Cumulative Period for the Consolidated Third Quarter]

(Million of yen)

	Cumulative period for previous consolidated third quarter (from April 1, 2013 to December 31, 2013)	Cumulative period for this consolidated third quarter (from April 1, 2014 to December 31, 2014)
Net sales	898,889	877,782
Cost of sales	819,305	797,273
Gross profit	79,584	80,508
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	35,469	35,599
Provision for bonuses	2,017	1,727
Provision for directors' bonuses	81	58
Provision for accrued retirement benefits	170	—
Retirement benefit expenses	—	157
Welfare expenses	5,879	5,944
Vehicle expenses	1,196	1,176
Provision of allowance for doubtful accounts	-102	-58
Depreciation	2,495	3,515
Amortization of goodwill	1,789	1,899
Rent expenses	5,277	5,278
Taxes and dues	888	941
Expense before deduction of the temporary consumption tax payment	2,303	3,817
Other	11,684	12,548
Total selling, general and administrative expenses	69,152	72,608
Operating income	10,432	7,900
Non-operating income		
Interest income	56	31
Dividend income	1,026	1,148
Commission fee	2,244	2,183
Amortization of negative goodwill	582	355
Equity in earnings of affiliates	59	16
Other	1,607	1,612
Total non-operating income	5,576	5,347
Non-operating expenses		
Interest expenses	311	254
Rent expenses on real estates	400	444
Other	193	177
Total non-operating expenses	905	876
Ordinary income	15,102	12,371

(Million of yen)

	Cumulative period for previous consolidated third quarter (from April 1, 2013 to December 31, 2013)	Cumulative period for this consolidated third quarter (from April 1, 2014 to December 31, 2014)
Extraordinary income		
Gain on sales of noncurrent assets	351	59
Gain on sales of investment securities	0	6,207
Other	31	113
Total extraordinary income	383	6,380
Extraordinary loss		
Loss on disposal of noncurrent assets	264	164
Impairment loss	—	260
Provision for loss on dissolution of employee's pension fund	—	170
Other	15	31
Total extraordinary loss	279	626
Income before income taxes	15,206	18,124
Income taxes-current	4,899	8,255
Income taxes-deferred	1,172	-1,127
Total income taxes	6,072	7,127
Income before minority interests	9,134	10,997
Current net income	9,134	10,997

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

(Million of yen)

	Cumulative period for previous consolidated third quarter (from April 1, 2013 to December 31, 2013)	Cumulative period for this consolidated third quarter (from April 1, 2014 to December 31, 2014)
Income before minority interests	9,134	10,997
Other comprehensive income		
Valuation difference on available-for-sale securities	374	1,014
Share of other comprehensive income of associates accounted for using equity method	0	33
Total other comprehensive income	374	1,048
Comprehensive income	9,508	12,045
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,508	12,045
Comprehensive income attributable to minority interests	—	—

(3) Notes of Quarterly Consolidated Financial Statements
(Notes Concerning Premise of a Going Business)

Not applicable.

(Notes concerning Material Changes in Shareholders' Equity)

Cumulative period for this consolidated third quarter (from April 1, 2014 to December 31, 2014)

Not applicable

(Segmental Information)

I Cumulative period for previous consolidated third quarter (from April 1, 2013 to December 31, 2013)

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

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note2)
	Pharmaceutical wholesaling (million yen)	Dispensing pharmacy (million yen)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales							
(1) Net sales to external customers	833,486	64,199	389	813	898,889	—	898,889
(2) Inter-segment internal net sales or transfers	31,292	15	—	242	31,549	-31,549	—
Total	864,778	64,214	389	1,055	930,439	-31,549	898,889
Segment income or loss	9,269	1,032	235	-17	10,519	-87	10,432

(Note) 1. Adjustments represent elimination of internal transactions and unrealized profit.

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

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

Not applicable.

II Cumulative period for this consolidated third quarter (from April 1, 2014 to December 31, 2014)

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

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note2)
	Pharmaceutical wholesaling (million yen)	Dispensing pharmacy (million yen)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales							
(1) Net sales to external customers	808,185	68,628	241	727	877,782	—	877,782
(2) Inter-segment internal net sales or transfers	31,705	36	—	181	31,924	-31,924	—
Total	839,891	68,664	241	908	909,706	-31,924	877,782
Segment income or loss	7,575	458	86	-127	7,994	-94	7,900

(Note) 1. Adjustments represent elimination of internal transactions and unrealized profit.

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

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

Not applicable