

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

August 1, 2014

Name of Listed Company: TOHO HOLDINGS CO., LTD. Listed: Tokyo Stock Exchange
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Scheduled Submission Date for Quarterly Report: August 13, 2014 Planned Date of Dividends Payment: —
 Quarterly Supplemental Explanatory Material Prepared: None
 Quarterly Results Briefing Held: None

(Amounts are truncated to the nearest million yen.)

1. Consolidated Results of Operations during the First Quarter of Fiscal 2015 (from April 1, 2014 to June 30, 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	%
First Quarter of Fiscal 2015	281,479	-2.7	2,911	19.4	4,676	11.1	2,759	5.1
First Quarter of Fiscal 2014	289,328	4.2	2,437	12.0	4,211	9.9	2,626	8.9

(Note) Comprehensive income: First Quarter of Fiscal 2015: 3,619 million yen (39.1%); First Quarter of Fiscal 2014: 2,601 million yen (15.3%)

	Current Net Income per Share	Current Net Income per Share - Diluted
	Yen	Yen
First Quarter of Fiscal 2015	36.60	36.59
First Quarter of Fiscal 2014	36.64	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity per Share
	Million yen	Million yen	%
First Quarter of Fiscal 2015	565,079	150,063	26.5
Fiscal 2014	580,137	147,190	25.4

(Reference) Shareholder's equity: First Quarter of Fiscal 2015: 150,025 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	—	—	—	—	—
Fiscal 2015 (Projected)	—	12.00	—	12.00	24.00

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

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

(The figures in percentages indicate changes from the preceding fiscal year for the year-end and changes from the preceding interim term for the current first half.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Midterm (Amount)	594,000	2.6	6,500	22.7	9,400	12.1	5,800	18.0	76.93
Full year	1,221,000	2.6	15,600	26.5	21,100	15.3	12,700	22.0	168.46

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

※ Notes

- (1) Changes in material subsidiaries during the first quarter of fiscal 2015: N.A.
 (Changes in special subsidiaries accompanying a change in the scope of consolidation)
 Inclusion — (Company name:) Exclusion —(Company name:)
- (2) Application of accounting process which is peculiar to the compilation of consolidated quarterly financial statements: N.A.
- (3) Changes in accounting policies and changes in accounting estimates, and correction and restatement
- (i) Changes in accounting policies with revisions in the accounting standards, etc.: 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 first quarter

First Quarter of FY2015	78,270,142	FY2014	78,270,142
First Quarter of FY2015	2,881,333	FY2014	2,881,129
First Quarter of FY2015	75,388,887	First Quarter of FY2014	71,678,996

* 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 First Quarter of Fiscal 2015

(1) Explanation of Management Results

The prescription pharmaceuticals market experienced NHI drug price reductions by 2.65% on average on the basis of NHI drug prices inclusive of the increased portion of the consumption tax effective from April 2014 (or by 5.64% on average exclusive of tax) when medical fees and NHI drug prices were revised in April this year. The market volume as a whole posted a 3.3% decrease from the previous quarter period (estimated by CRECON Research & Consulting Inc.) partly due to medical care cost containment measures such as the effort to promote the use of generic drugs further in the wake of the medical fee revisions, and partly due to the backlash of the last-minute demand before the consumption tax hike.

Under these circumstances, the TOHO HOLDINGS Group boldly promoted proposal-based marketing and sales activities, which are centered on the unique customer support systems, in order to further strengthen the relationship with medical institutions.

As a result, the Company's operating results for the consolidated cumulative first quarter of the fiscal year ending March 2015 recorded 281,479 million yen for net sales (a decrease of 2.7% on a year-on-year basis), 2,911 million yen for operating income (an increase of 19.4% on a year-on-year basis), 4,676 million yen for ordinary income (an increase of 11.1% on a year-on-year basis), and 2,759 million yen for net income (an increase of 5.1% on a year-on-year basis).

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

The Pharmaceutical wholesaling business has been expanding its fee business and also striving to ensure a reasonable selling price formation in which the value of each prescription pharmaceutical should be reflected, with the ultimate goal of securing appropriate profits. This business segment has also been making efforts to improve distribution problems, for purposes of promoting the early conclusion of negotiations, ensuring total value transactions, and correcting the gaps between NHI prices and market prices and other issues. As a result, in the first quarter of the current fiscal year, the pharmaceutical wholesaling business posted net sales of 269,535 million yen (a year-on-year decrease of 3.1%) and segment income (operating income) of 2,923 million yen (a year-on-year increase of 43.1%).

The dispensing pharmacy business has been promoting smooth business expansion, enhancement of management efficiency, and higher-added value. Nevertheless, this business segment was adversely affected mainly by dispensing fee revisions and the NHI drug price revisions accompanied by the consumption tax hike. As a result, in the first quarter of the current fiscal year, the dispensing pharmacy business posted net sales of 22,149 million yen (a year-on-year increase of 5.1%) and segment income (operating income) of 18 million yen (a year-on-year decrease of 94.3%).

In the SMO operations, net sales for the first quarter of fiscal 2015 amounted to 72 million yen (a year-on-year increase of 34.3%) and segment income (operating income) was 19 million yen.

In the information equipment sales operations, net sales for the first quarter of fiscal 2015 totaled 169 million yen (a year-on-year increase of 50.9%), with a segment loss (operating loss) of 90 million yen.

(Note) Segment sales include inter-segment transactions.

(2) Explanation of Financial Position

(Assets)

Current assets decreased 3.8% from the end of the previous consolidated fiscal year to 399,529 million yen with an increase in cash and deposits of 3,901 million yen, and a decrease in notes and accounts receivable-trade of 10,068 million yen, and a decrease in merchandise and finished goods of 11,362 million yen.

Noncurrent assets increased 0.5% from the end of the previous consolidated fiscal year, to 165,550 million yen, with an increase in investment securities of 1,688 million yen, and a decrease in property, plant and equipment of 439 million yen.

As a result, consolidated net assets decreased 2.6% from a year earlier, to 565,079 million yen.

(Liabilities)

Current liabilities decreased 4.2% from the end of the previous consolidated fiscal year to 373,795 million yen with an increase in provision for bonuses of 1,827 million yen, and a decrease in notes and accounts payable-trade of 16,653 million yen, and a decrease in short-term loans payable of 4,202 million yen.

Noncurrent liabilities decreased 3.3% from the end of the previous consolidated fiscal year, to 41,220 million yen with a decrease in long-term loans payable of 1,127 million yen.

As a result, total liabilities decreased 4.1% year-on-year to 415,015 million yen.

(Net assets)

Total net assets were up 2.0% from the end of the previous consolidated fiscal year to 150,063 million yen with an increase in retained earnings of 2,003 million yen, and an increase in valuation difference on available-for-sale securities of 860 million yen.

(3) Explanation of Projections of Consolidated Operating Results for Fiscal 2015

There are no changes in the projected consolidated results of operations for the cumulative second quarter of the fiscal year ending March 2015 and the full-term of fiscal 2015 published on May 9, 2014.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Material Subsidiaries during the First 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 first 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 first quarter. Also please note that the effect on the profit and loss for the cumulative period for this consolidated first quarter is minor.

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

(Unit: million yen)

	Fiscal 2014 (As of March 31, 2014)	End of consolidated this first quarter (As of June 30, 2014)
Assets		
Current assets		
Cash and deposits	18,362	22,263
Notes and accounts receivable-trade	281,742	271,674
Short-term investment securities	502	502
Merchandise and finished goods	81,424	70,062
Other	34,046	35,560
Allowance for doubtful accounts	-649	-534
Total current assets	415,429	399,529
Noncurrent assets		
Property, plant and equipment	85,574	85,134
Intangible assets		
Goodwill	10,590	10,561
Other	3,419	3,405
Total intangible assets	14,009	13,967
Investments and other assets		
Investment securities	57,071	58,760
Other	9,698	9,480
Allowance for doubtful accounts	-1,644	-1,791
Total investments and other assets	65,125	66,448
Total noncurrent asset	164,708	165,550
Total assets	580,137	565,079

(Unit: million yen)

	Fiscal 2014 (As of March 31, 2014)	End of consolidated this first quarter (As of June 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	361,976	345,323
Short-term loans payable	12,200	7,998
Income taxes payable	3,285	2,436
Provision for bonuses	3,562	5,389
Provision for directors' bonuses	80	19
Provision for sales returns	302	352
Asset retirement obligations	45	—
Other	8,845	12,275
Total current liabilities	390,299	373,795
Noncurrent liabilities		
Long-term loans payable	12,308	11,181
Provision for retirement benefits	1,527	1,609
Asset retirement obligations	1,080	1,012
Negative goodwill	464	320
Other	27,267	27,096
Total noncurrent liabilities	42,647	41,220
Total liabilities	432,947	415,015
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	47,814	47,814
Retained earnings	83,898	85,902
Treasury stock	-3,437	-3,437
Total shareholders' equity	138,962	140,929
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,547	13,407
Revaluation reserve for land	-4,311	-4,311
Total accumulated other comprehensive income	8,236	9,096
Subscription rights to shares	28	37
Total net assets	147,190	150,063
Total liabilities and net assets	580,137	565,079

(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 first quarter]

(Unit: million yen)

	Cumulative period for previous first quarter (from April 1, 2013 to June 30, 2013)	Cumulative period for this consolidated first quarter (from April 1, 2014 to June 30, 2014)
Net sales	289,328	281,479
Cost of sales	264,094	254,353
Gross profit	25,233	27,125
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	10,701	10,794
Provision for bonuses	1,857	1,874
Provision for directors' bonuses	28	19
Provision for accrued retirement benefits	56	—
Retirement benefit expenses	—	57
Welfare expenses	1,934	1,968
Vehicle expenses	376	379
Provision of allowance for doubtful accounts	-9	-38
Depreciation	718	1,143
Amortization of goodwill	597	626
Rent expenses	1,751	1,750
Taxes and dues	307	332
Expense before deduction of temporary consumption tax payment	758	1,237
Other	3,717	4,067
Total selling, general and administrative expenses	22,795	24,213
Operating income	2,437	2,911
Non-operating income		
Interest income	22	5
Dividend income	538	618
Commission fee	713	700
Amortization of negative goodwill	214	143
Equity in earnings of affiliates	14	0
Other	481	562
Total non-operating income	1,985	2,031
Non-operating expenses		
Interest expenses	95	93
Expenses of real estate rent	89	147
Other	27	25
Total non-operating expenses	212	266
Ordinary income	4,211	4,676

(Unit: million yen)

	Cumulative period for previous consolidated first quarter (from April 1, 2013 to June 30, 2013)	Cumulative period for this consolidated first quarter (from April 1, 2014 to June 30, 2014)
Extraordinary income		
Gain on sales of noncurrent assets	211	28
Other	12	1
Total extraordinary income	224	30
Extraordinary loss		
Loss on disposal of noncurrent assets	14	21
Impairment loss	—	124
Loss on cancellation of leasehold contracts	8	—
Other	1	—
Total extraordinary loss	25	145
Income before income taxes	4,410	4,561
Income taxes-current	2,010	2,690
Income taxes-deferred	-226	-888
Total income taxes	1,784	1,802
Income before minority interests	2,626	2,759
Current net income	2,626	2,759

Quarterly Consolidated Statements of Comprehensive Income
[Cumulative period for the consolidated first quarter]

(Unit: million yen)

	Cumulative period for previous consolidated first quarter (from April 1, 2013 to June 30, 2013)	Cumulative period for this consolidated first quarter (from April 1, 2014 to June 30, 2014)
Income before minority interests	2,626	2,759
Other comprehensive income		
Valuation difference on available-for-sale securities	-16	851
Share of other comprehensive income of associates accounted for using equity method	-7	8
Total other comprehensive income	-24	860
Comprehensive income	2,601	3,619
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,601	3,619
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 first quarter (from April 1, 2014 to June 30, 2014)

Not applicable

(Segmental Information)

I Cumulative period for previous consolidated first quarter (from April 1, 2013 to June 30, 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	267,911	21,077	110	228	289,328	—	289,328
(2) Inter-segment internal net sales or transfers	10,370	4	—	116	10,492	-10,492	—
Total	278,282	21,081	110	345	299,820	-10,492	289,328
Segment income or loss	2,042	325	59	-11	2,416	21	2,437

(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 first quarter (from April 1, 2014 to June 30, 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	259,124	22,141	72	140	281,479	—	281,479
(2) Inter-segment internal net sales or transfers	10,410	7	—	28	10,447	-10,447	—
Total	269,535	22,149	72	169	291,926	-10,447	281,479
Segment income or loss	2,923	18	19	-90	2,871	40	2,911

(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