

# Summary of Consolidated Financial Results of Fiscal Year Ended March 31, 2016

May 11, 2016

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

Planned Date of General Meeting of Shareholders: June 29, 2016 Planned Date of Dividends Payment: June 9, 2016

Planned Date of Filing of Annual Securities: June 29, 2016

Supplemental explanatory materials for the Financial Results: Available

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

(Amounts are truncated to the nearest million yen.)

## 1. Consolidated Results of Operations for the March 2016(from April 1, 2015 to March 31, 2016)

### (1) Consolidated Results of Operations

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY Ended March 2016	1,308,474	12.6	28,618	185.7	34,493	116.9	21,771	60.8
FY Ended March 2015	1,162,148	-2.3	10,017	-18.7	15,902	-13.1	13,535	30.1

(Note) Comprehensive income: FY Ended March 2016:22,275 million yen (4.2%); FY Ended March 2015: 21,386 million yen (108.9%)

	Current Net Income per Share	Current Net Income per Share - Diluted	Return on Equity	Ordinary Income/ Total Assets	Operating Income/ Net Sales
	Yen	Yen	%	%	%
FY Ended March 2016	316.51	287.93	13.1	5.6	2.2
FY Ended March 2015	181.83	177.74	8.9	2.7	0.9

(Reference) Equity in earnings (losses) of equity-method investees : FY Ended March 2016: 58 million yen; FY Ended March 2015: 61 million yen;

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
FY Ended March 2016	642,698	174,656	27.2	2,544.58
FY Ended March 2015	599,950	157,371	26.2	2,246.54

(Reference) Shareholder's equity: FY Ended March 2016: 174,589 million yen; FY Ended March 2015: 157,333 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
FY Ended March 2016	2,381	-4,942	-10,134	27,854
FY Ended March 2015	29,347	3,457	-7,258	40,550

## 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	%	%
FY Ended March 2015	—	12.00	—	12.00	24.00	1,745	13.2	1.1
FY Ended March 2016	—	13.00	—	15.00	28.00	1,923	8.8	1.2
FY Ending March 2017 (Projected)	—	15.00	—	15.00	30.00		13.8	

## 3. Consolidated Projected Results of Operations during Fiscal Year Ending March 2017 (from April 1, 2016 to March 31, 2017)

(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
Six Months, Ending September 2016	641,000	6.4	9,500	55.5	12,200	33.1	7,700	80.0	112.22
FY Ending March 2017	1,285,000	-1.8	18,700	-34.7	24,000	-30.4	14,900	-31.6	217.16

#### 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)

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

(iii) The average number of shares during fiscal year

FY Ended March 2016	78,270,142	FY Ended March 2015	78,270,142
FY Ended March 2016	9,657,804	FY Ended March 2015	8,236,448
FY Ended March 2016	68,785,353	FY Ended March 2015	74,441,239

(Reference) Summary of Non-consolidated Financial Statements

1. Non-Consolidated Results of Operations for Fiscal year ended March 2016 (from April 1, 2015 to March 31, 2016)

(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	%
FY Ended March 2016	9,409	-21.2	4,226	-50.8	5,683	-44.4	6,053	-62.5
FY Ended March 2015	11,935	125.3	8,588	298.4	10,216	183.8	16,160	359.3

	Net Income per Share	Net Income per Share - Diluted
	yen	yen
FY Ended March 2016	87.98	79.95
FY Ended March 2015	217.05	212.16

(2) Non-consolidated Financial Position

	Total Asset	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	yen
FY Ended March 2016	153,394	112,079	73.0	1,632.27
FY Ended March 2015	153,993	110,475	71.7	1,576.66

(Reference) Shareholder's Equity FY Ended March 2016: 112,012 million yen FY Ended March 2015: 110,437 million yen

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

- The Financial Results of Fiscal year ended March 2016 were exempt from the audit procedure based on the Financial Instruments and Exchange Act. As of Fiscal year ended March 2016 disclosure, the audit procedure for the financial statements of Fiscal year ended March 2016 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 17, 2016. 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	5
3. Business Management Policy	8
(1) Company's Basic Policy for Management of Operations	8
(2) Target Managerial Indicators	8
(3) Company's Medium- to Long-Term Business Management Strategy	8
(4) Company Issues that Need Addressing	8
4. Basic Idea for Selection of Accounting Standards	8
5. Consolidated Financial Statements	9
(1) Consolidated Balance Sheets	9
(2) Consolidated Profit and Loss Statement and Statements of Comprehensive Income	11
(3) Consolidated Statement of Changes in Shareholders' Equity	14
(4) Consolidated Statements of Cash Flows	16
(5) Notes to Consolidated Financial Statements	18
(Notes Regarding the Going Concern Assumption)	18
(Basis of Presenting Consolidated Financial Statements)	18
(Changes in Accounting Policies)	20
(Additional Information)	20
(Notes to Consolidated Balance Sheets)	21
(Notes to Consolidated Profit and Loss Statement)	23
(Notes to Consolidated Statements of Comprehensive Income)	24
(Notes to Consolidated Statements of Changes in Shareholders' Equity)	25
(Notes to Consolidated Statements of Cash Flows)	27
(Segment Information)	27
(Information per Share)	32
(Significant Subsequent Events)	32
6. Non-consolidated Financial Statements	33
(1) Balance Sheets	33
(2) Profit and Loss Statement	35
(3) Statements of Changes in Shareholders' Equity	37

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

### (1) Analysis Concerning Management Result

#### (Management Results for This fiscal year)

The market for ethical pharmaceuticals in the current consolidated accounting year grew substantially when compared with the previous year owing to significant expansion of the curative drugs for hepatitis C, which exceeded our expectations to a large extent, especially during the third quarter and thereafter as well as the contribution of new pharmaceuticals including orphan drugs, in spite of influence from the penetration of medical care cost containment efforts including the promotion of using generics.

On the one hand, with the progress of the aging of population, the measures are being promoted to establish a community comprehensive healthcare system which aims to realize efficient and high-quality medical care in addition to securing the operation of a stable and sustainable healthcare insurance system for the future, and changes in the market environment are expected in the future.

Under these circumstances, as a distribution company group engaged in the areas of medical care, health and nursing care with the two business lines of drug wholesaling and dispensing pharmacies at our core, in order to respond to a rapidly changing environment in the future, our group has addressed the development and the proposal of various customer support systems to solve the problems which patients and medical institutions are burdened with, has contributed to the formulation of a community comprehensive healthcare system, and has promoted innovative changes to the value-added service type of business model which exerts its intrinsic value across a wide range of areas. Accordingly, with the aim of strengthening group management systems and sharpening the Group's competitive edge, the Company shifted from a pure holding company structure to an operating holding company structure in June 2015.

In the consolidated fiscal year ended March 31, 2016, the Company recorded net sales of 1,308,474 million yen (up 12.6% year on year), operating income of 28,618 million yen (up 185.7%), ordinary income of 34,493 million yen (up 116.9%) and net income attributable to owners of the Parent of 21,771 million yen (up 60.8%) helped by: strong sales of new drugs such as medication for the treatment of hepatitis C and orphan drugs; the increasing number of contracts for our unique customer support systems, especially for the medication history preparation support system with automatic speech recognition "ENIFvoice SP" and the "first medical examination reception service"; solid performance of other services; and reductions in SG&A expenses.

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

In the pharmaceutical wholesaling business, at the same time as intending to secure a fair profit, we have also enhanced the functions of our distribution center and call center, have further promoted "the reform of business transactions and distribution of goods as one and the same" intending to reduce all operation costs and streamline operations from order receipt to delivery, and have intended to reduce costs through the promotion of hiring the needed personnel including those in indirect departments. Efforts have also been funneled into proposal-based marketing and sales activities involving our unique customer support systems.

As a result, the net sales were 1,255,431 million yen (13.1% increase compared to the previous year), and operating income were 27,315 million yen (230.1% increase compared to the previous year).

In the dispensing pharmacy business, regarding the operation of stores, which is closely attached to local healthcare, at the same time as intending to improve profitability by providing high value-add in response to the revision of dispensing fees, we have addressed the cost reduction measures by standardizing store operations and by aggregating operations back to head office. In the consolidated fiscal year under review, net sales of 99,967 million yen (up 8.5% year on year) and operating income of 2,924 million yen (up 83.2%) were chalked up thanks to: an increase in the number of stores by 14; the rise in unit prices of prescription owing to medication for the treatment of hepatitis C; and reductions in SG&A expenses.

In the SMO operations, consolidated net sales were 531 million yen (a year-on-year increase of 43.3%) and operating income was 301 million yen (a year-on-year increase of 86.0%), assisted by a constant increase in commissioned business.

In the information equipment sales operations, net sales were 1,394 million yen (a year-on-year decrease of 14.4%) and the operating loss was 136 million.

#### (Projections for the Next Fiscal Year)

In the prescription pharmaceuticals market to which the Company belongs, this fiscal year is a year for NHI drug price revisions; in April, drug prices in the NHI scheme were cut by 5.57% on average and both regular and special repricing for market expansion were carried out. Furthermore, due to ongoing measures to curtail medical expenses including further promotion of generic drug use as a result of revisions to medical treatment fees, it is difficult to predict future trends of the market for prescription pharmaceuticals.

In this context, the pharmaceutical wholesaling business will endeavor to secure appropriate profits through unit price negotiation by category based on price systems in accordance with the value of each product, and expand fee

business through measures such as the launch of new products including operations supporting terminal equipped with automatic voice recognition system for visiting nurses, “ENIF NURSE”, and continue promoting transition to a business model focusing on the provision of value-added services. In addition, with a view to further boosting its productivity, it will continue to overhaul its existing operations and promote more appropriate distribution of overall human resources via consolidation of indirect operations.

Meanwhile, the dispensing pharmacy business will promote measures to help each pharmacy to establish functions tailored to dispensing fee revisions, and strive to provide community healthcare-centered and higher value-added services and carry out management streamlining.

Accordingly, net sales for the next fiscal year ending March 2017 are projected to be 1,285,000 million yen (down 1.8% from the previous year), with the operating income estimated at 18,700 million yen (down 34.7%), ordinary income, 24,000 million yen (down 30.4%), and profit attributable to owners of parent, 14,900 million yen (down 31.6%).

## (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 2016 increased 10.4% from the end of the previous consolidated fiscal year to 474,715 million yen, due mainly to an increase in notes and accounts receivable-trade of 52,129 million yen, and an increase in merchandise and finished goods of 1,999 million yen, and a decrease in cash and deposits of 12,978 million yen.

Noncurrent assets as of the end of March 2016 decreased 1.1% from the end of the previous year to 167,983 million yen, due primarily to a decrease in goodwill of 2,386 million yen.

As a result, consolidated total assets as of the end of March 2016 increased 7.1% from the end of the previous consolidated fiscal year to 642,698 million yen.

#### (ii) Liability

Current liabilities increased 8.0% from the end of the previous consolidated fiscal year to 421,401 million yen, owing to an increase in notes and accounts payable-trade of 29,659 million yen.

Noncurrent liabilities decreased 11.0% from the end of the previous consolidated fiscal year to 46,639 million yen with a decrease in long-term loans payable of 3,383 million yen, and a decrease in lease obligations of 1,376 million yen.

As a result, total liabilities increased 5.8% year-on-year to 468,041 million yen.

#### (iii) Net Assets

Total net assets were up 11.0% from the end of the previous consolidated fiscal year to 174,656 million yen, with an increase in retained earnings of 20,075 million yen, and an increase in treasury stocks of 3,263 million yen.

### ② Cash Position

Cash and cash equivalents (hereinafter referred to as “cash”) during this consolidated fiscal year decreased by 12,696 million yen from the end of the previous consolidated fiscal year. As a result, the balance at the end of this consolidated fiscal year totaled 27,854 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 2,381 million yen (a decrease of 26,966 million yen on a year-on-year basis). Although inflow was secured by some positive factors such as net income before income taxes of 35,114 million yen, depreciation of 4,721 million yen, amortization of goodwill of 2,574 million yen, and an increase in notes and accounts payable-trade of 29,659 million yen, these were somewhat offset by negative factors including increase in notes and accounts receivable-trade of 52,214 million yen, increase in inventories of 1,999 million yen, decrease in accrued consumption taxes of 2,286 million yen, and income taxes paid of 10,691 million yen.

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

Cash flow from investing activities was an outflow of 4,942 million yen (a decrease of 8,400 million yen from the previous fiscal year). Positive factor, i.e. proceeds from sales of property, plant and equipment of 2,429 million yen and proceeds from sales of investment securities of 3,376 million yen, was somewhat offset by negative factors including purchase of property, plant and equipment of 5,923 million yen, purchase of investment securities of 2,532 million yen and purchase of stocks of subsidiaries and affiliates of 1,708 million yen.

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

Cash flow from financing activities was an outflow of 10,134 million yen (a decrease of 2,876 million yen from the previous fiscal year), which is mainly attributable to repayment of long-term loans payable of 5,729 million yen, purchase of treasury stock of 3,263 million yen, and repayments of finance lease obligations of 1,915 million yen.

(Reference) Trends in key indicators of cash flows

	Fiscal year ended March 2012	Fiscal year ended March 2013	Fiscal year ended March 2014	Fiscal year ended March 2015	Fiscal year ended March 2016
Shareholder's Equity Ratio (%)	22.7	23.9	25.4	26.2	27.2
Shareholder's Equity Ratio at Market Value (%)	20.2	27.3	28.4	23.7	25.7
Ratio of cash flows to interest-bearing debts (%)	151.3	83.0	—	104.7	1,148.0
Interest Coverage Ratio (time)	37.3	57.9	—	61.1	7.3

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 FY ended March 2014 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. Adding two yen to the initially projected year-end dividend of 13 yen per share, we plan to pay a year-end dividend of 15 yen per share for the fiscal year ended March 31, 2016. This means that an annual dividend per share for the fiscal year totals 28 yen including an interim dividend (13 yen per share). We plan to pay an interim dividend of 15 yen per share and a year-end dividend of 15 yen per share for the next fiscal year, with an annual dividend per share totaling 30 yen.

(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 11, 2016).

1. Legal Regulations, etc.

The Group's core businesses and products are governed by applicable laws and regulations including the Act on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices. Having obtained necessary approvals, registrations, permits and licenses under such legal regulations, we are engaged in sales and marketing activities. Changes in circumstances surrounding approvals and licenses from supervisory authorities may affect the Group's business performance.

2. 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 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.

Depending on how it develops, an institutional reform implemented by the government to achieve fiscal soundness of the health care insurance system may affect the Group's earnings.

### 3. 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. Furthermore, the Pharmacists Act strictly prohibits any person other than a pharmacist from dispensing, while the Act on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices, Ordinances of the Ministry of Health, Labour and Welfare, etc. rigorously regulate the number of pharmacists stationed in pharmacies. If we are unable to secure the necessary number of pharmacists, it may affect the Group's earnings.

### 4. Natural Disasters

As a precaution against natural disasters and other emergencies, the Group has established crisis management frameworks and prepared a complete copy of its mission-critical systems together with peripheral systems. However, a disaster larger than anticipated could have a negative impact on the Group's earnings such as decreased net sales and increased restoration costs.

### 5. Control of Personal Information

The Toho Group is handling a substantial amount of personal data concerning health personnel and patients. 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," 65 subsidiaries, and 17 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 Business

The Company's 6 consolidated subsidiaries (TOHO PHARMACEUTICAL, Kyushu Toho, SAYWELL, Koyo, Godo Toho, SQUARE·ONE), four non-consolidated subsidiaries and five affiliates (Sakai Yakuhin 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 34 subsidiaries (Dispensing pharmacies business: Pharma-Daiwa, J.Mirai Medical, Pharma Mirai, Seiko Medical Brain, VEGA PHARMA, Cure, Aobado, Kosei, Shimizu Pharmacy, and 25 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 Business

The Company's 9 consolidated subsidiaries (Pharma-Daiwa, J.Mirai Medical, Pharma Mirai, Seiko Medical Brain, VEGA PHARMA, Cure, Aobado, Kosei, and Shimizu Pharmacy), 25 non-consolidated subsidiaries and 7 affiliated 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) Business

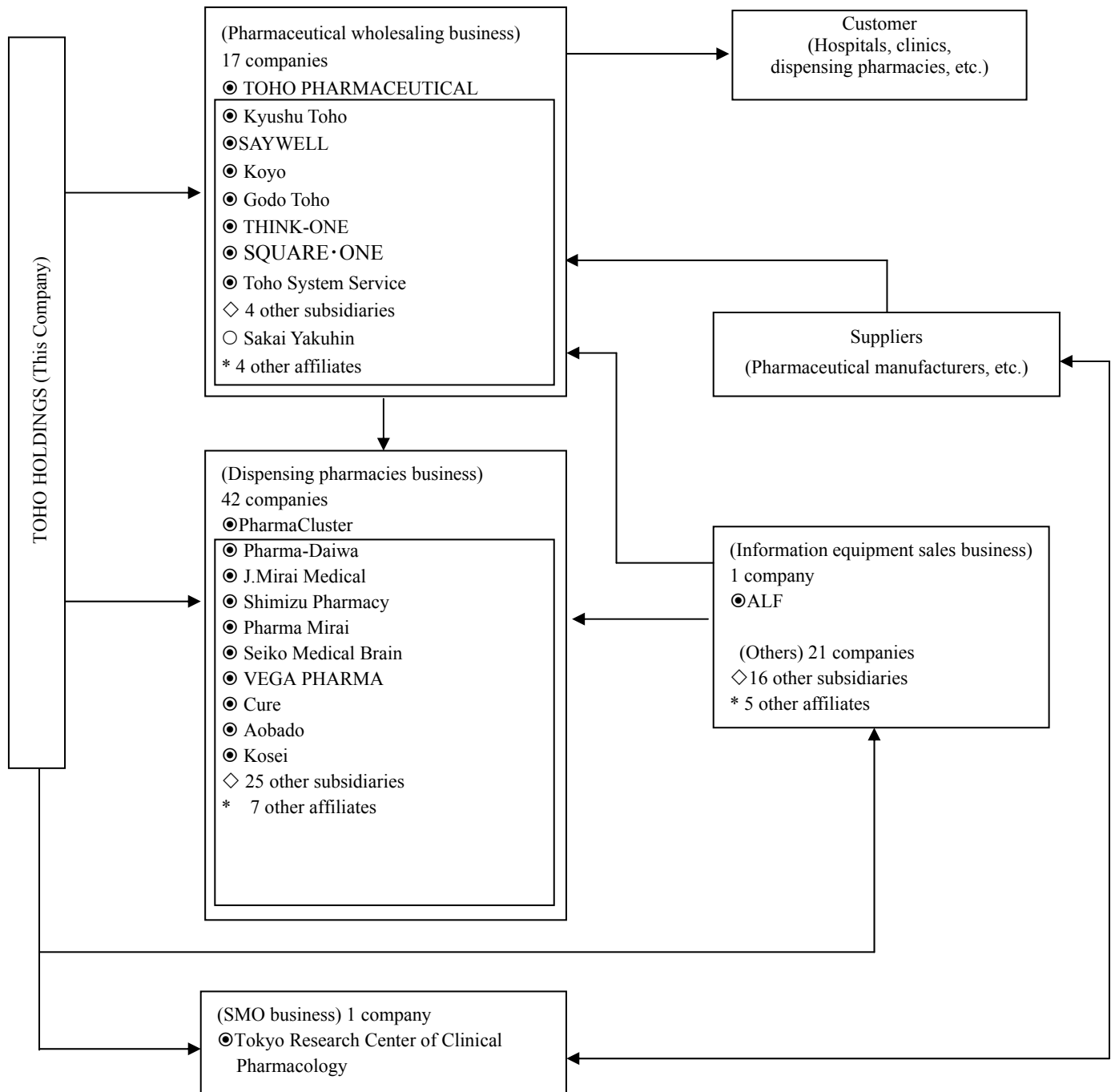
The Tokyo Research Center of Clinical Pharmacology, a consolidated subsidiary, undertakes SMO (Site Management Organization) operations.

#### (4) Information Equipment Sales Business

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

Other companies (16 non-consolidated subsidiaries and 5 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.



**Legend**

- denotes consolidated subsidiary (20 in total)
- ◇ denotes non-consolidated non-equity-method subsidiary (45 in total)
- denotes equity-method affiliate (1 in total)
- \* denotes non-equity-method affiliate (16 in total)



[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.
Seiko Medical Brain	Higashi-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	Higashiumiyos hi-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	1,238,740 million yen
	② Ordinary income	23,723 million yen
	③ Net income	16,025 million yen
	④ Net Assets	53,212 million yen
	⑤ Total Assets	489,570 million yen

(i i) SAYWELL	① Net sales	169,253 million yen
	② Ordinary income	4,418 million yen
	③ Net income	2,864 million yen
	④ Net Assets	30,412 million yen
	⑤ Total Assets	73,929 million yen

### 3. Business Management Policy

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

Setting Total Commitment to Good Health as our corporate slogan and under the mission statement, "Working in harmony with society and customers, and jointly creating new value through the provision of original services, thereby contributing to the improvement of medical services for, and health of, people around the world", the Group always places ultimate priority on patients, makes efforts to create customer value in order to increase customer satisfaction, and aims to improve corporate value and establish a corporate brand in the market.

#### (2) Target Managerial Indicators, (3) Company's Medium- to Long-Term Business Management Strategy, (4) Company Issues that Need Addressing

While efforts to set up the "community comprehensive healthcare system" are accelerating with a view to extending healthy life expectancy of the people and building and maintaining sustainable social security systems in a super-graying society, the Group aims to contribute to seamless cooperation among preventive care, medical care and nursing care, focusing on the pharmaceutical wholesaling and dispensing pharmacy businesses. Moreover, taking into account the rapid change in the environment surrounding medical care and the pharmaceuticals industry as well as cutting-edge issues in the coming years, the Group will: further streamline and add higher value to pharmaceutical logistics towards the era of generic drug use of 80% or more by volume; enter into an entirely new business segment by handling drugs that require advanced management such as specialty drugs and orphan drugs, i.e. mainstay drugs to be put on the market from this point onward, and developing new medical care-related services and business models; and strive to expand its customer base.

Meanwhile, well aware of its status as a medical and health care-related company of a public nature, the Group will further promote management streamlining through various measures implemented towards optimization of the entire Group and productivity improvement, and aim to become a group of companies which will work under the slogan Total Commitment to Good Health, and continue to be supported by society.

We are now formulating a new medium-term management plan in accordance with the above-mentioned basic management policy and management strategy. We intend to announce the plan as soon as it is finalized.

#### 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)

	Previous fiscal year (As of March 31, 2015)	This fiscal year (As of March 31, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	*3 44,510	*3 31,531
Notes and accounts receivable-trade	279,119	331,248
Short-term investment securities	602	613
Merchandise and finished goods	73,229	75,229
Deferred tax assets	2,273	2,227
Purchase rebates receivable	14,477	14,607
Others	16,232	19,682
Allowance for doubtful accounts	-411	-425
<b>Total current assets</b>	<b>430,034</b>	<b>474,715</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	*3 31,322	*3 31,696
Vehicles, net	35	29
Land	*3,*5 42,699	*3,*5 43,981
Lease assets, net	8,550	7,439
Construction in progress	807	377
Others	1,101	1,045
<b>Total property, plant and equipment</b>	<b>*1 84,516</b>	<b>*1 84,569</b>
Intangible assets		
Goodwill	9,108	6,722
Others	3,053	2,773
<b>Total intangible assets</b>	<b>12,162</b>	<b>9,495</b>
Investments and other assets		
Investment securities	*2, *3 64,354	*2, *3 65,846
Long-term loans receivable	1,475	1,652
Deferred tax assets	479	485
Others	*2 8,709	*2 8,479
Allowance for doubtful accounts	-1,783	-2,546
<b>Total investments and other assets</b>	<b>73,236</b>	<b>73,917</b>
<b>Total noncurrent assets</b>	<b>169,915</b>	<b>167,983</b>
<b>Total assets</b>	<b>599,950</b>	<b>642,698</b>

(Unit: million yen)

	Previous fiscal year (As of March 31, 2015)	This fiscal year (As of March 31, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	*3 360,689	*3 390,349
Short-term loans payable	*6 2,884	*6 4,243
Current portion of long-term loans payable	*3 3,984	*3 2,643
Lease obligations	2,268	2,147
Income taxes payable	6,454	10,451
Accrued expenses	2,317	2,237
Provision for bonuses	3,557	3,489
Provision for directors' bonuses	78	76
Provision for sales returns	337	453
Provision for loss on dissolution of employees' pension fund	170	170
Asset retirement obligations	—	5
Others	7,439	5,133
<b>Total current liabilities</b>	<b>390,179</b>	<b>421,401</b>
<b>Noncurrent liabilities</b>		
Bonds payable	15,071	15,056
Long-term loans payable	*3 8,768	*3 5,384
Lease obligations	6,742	5,365
Deferred tax liabilities	15,894	15,373
Deferred tax liabilities for land revaluation	*5 971	*5 894
Net defined benefit liability	1,636	1,713
Asset retirement obligations	1,084	1,095
Negative goodwill	102	75
Others	2,126	1,681
<b>Total noncurrent liabilities</b>	<b>52,398</b>	<b>46,639</b>
<b>Total liabilities</b>	<b>442,578</b>	<b>468,041</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,649	10,649
Capital surplus	47,814	47,794
Retained earnings	95,862	115,938
Treasury stock	-13,024	-16,278
<b>Total shareholders' equity</b>	<b>141,303</b>	<b>158,094</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	20,306	20,764
Revaluation reserve for land	*5 -4,276	*5 -4,269
<b>Total accumulated other comprehensive income</b>	<b>16,030</b>	<b>16,495</b>
Subscription rights to shares	37	67
<b>Total net assets</b>	<b>157,371</b>	<b>174,656</b>
<b>Total liabilities and net assets</b>	<b>599,950</b>	<b>642,698</b>

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

(Unit: million yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	This fiscal year (From April 1, 2015 to March 31, 2016)
Net sales	1,162,148	1,308,474
Cost of sales	1,055,793	1,182,429
Gross profit	106,354	126,045
Provision for sales returns	34	116
Gross profit-net	106,320	125,928
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	46,001	45,260
Provision for bonuses	3,542	3,471
Provision for directors' bonuses	78	76
Retirement benefit expenses	205	232
Welfare expenses	7,952	7,772
Vehicle expenses	1,495	1,214
Provision of allowance for doubtful accounts	-130	795
Depreciation	4,729	4,721
Amortization of goodwill	2,543	2,574
Rent expenses	7,022	6,948
Taxes and dues	1,220	1,514
Expense before deduction of the temporary consumption tax payment	4,960	5,431
Others	16,682	17,296
Total selling, general and administrative expenses	96,303	97,309
Operating income	10,017	28,618
Non-operating income		
Interest income	76	85
Dividends income	1,377	1,157
Commission fee	2,961	3,163
Real estate rent	1,319	1,263
Amortization of negative goodwill	362	26
Equity in earnings of affiliates	61	58
Others	811	945
Total non-operating income	6,970	6,699
Non-operating expenses		
Interest expenses	324	199
Commitment fee	38	41
Expenses of real estate rent	537	472
Others	185	111
Total non-operating expenses	1,085	825
Ordinary income	15,902	34,493

(Unit: million yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	This fiscal year (From April 1, 2015 to March 31, 2016)
Extraordinary income		
Gain on sales of noncurrent assets	*1 66	*1 933
Gain on sales of investment securities	6,207	1,956
Others	188	36
Total extraordinary income	6,462	2,926
Extraordinary losses		
Loss on disposal of noncurrent assets	*2 186	*2 312
Impairment loss	*3 476	*3 420
Loss on valuation of investment securities	—	1,278
Loss on valuation of stocks of subsidiaries and affiliates	—	281
Provision of allowance for loss on dissolution of employees' pension fund	170	—
Others	40	12
Total extraordinary losses	873	2,305
Income before income taxes	21,490	35,114
Income taxes-current	10,422	13,436
Income taxes-deferred	-2,467	-93
Total income taxes	7,954	13,343
Net income	13,535	21,771
Profit Attributable to Owners of Parent	13,535	21,771

## Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	This fiscal year (From April 1, 2015 to March 31, 2016)
Net income	13,535	21,771
Other comprehensive income		
Valuation difference on available-for-sale securities	7,659	486
Revaluation reserve for land	91	45
Share of other comprehensive income of associates accounted for using equity method	100	-28
Total other comprehensive income	*1 7,851	*1 503
Comprehensive income	21,386	22,275
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	21,386	22,275
Comprehensive income attributable to non-controlling interests	—	—

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

Previous fiscal year (From April 1, 2014 to March 31, 2015)

(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	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
Purchase of shares of consolidated subsidiaries		—			—
Dividends from surplus			-1,658		-1,658
Profit Attributable to Owners of Parent			13,535		13,535
Purchase of treasury stock				-9,586	-9,586
Reversal of revaluation reserve for land			56		56
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
Purchase of shares of consolidated subsidiaries					—
Dividends from surplus					-1,658
Profit Attributable to Owners of Parent					13,535
Purchase of treasury stock					-9,586
Reversal of revaluation reserve for land					56
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



This fiscal year (From April 1, 2015 to March 31, 2016)

(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	47,814	95,862	-13,024	141,303
Cumulative effects of changes in accounting policies			—		—
Restated balance	10,649	47,814	95,862	-13,024	141,303
Changes of items during the period					
Change of scope of consolidation			—		—
Purchase of shares of consolidated subsidiaries		-20			-20
Dividends from surplus			-1,734		-1,734
Profit attributable to owners of parent			21,771		21,771
Purchase of treasury stock				-3,263	-3,263
Reversal of revaluation reserve for land			39		39
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	-20	20,075	-3,263	16,791
Balance at the end of current period	10,649	47,794	115,938	-16,287	158,094

	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	20,306	-4,276	16,030	37	157,371
Cumulative effects of changes in accounting policies					—
Restated balance	20,306	-4,276	16,030	37	157,371
Changes of items during the period					
Change of scope of consolidation					—
Purchase of shares of consolidated subsidiaries					-20
Dividends from surplus					-1,734
Profit attributable to owners of parent					21,771
Purchase of treasury stock					-3,263
Reversal of revaluation reserve for land					39
Net changes of items other than shareholders' equity	458	6	464	29	493
Total changes of items during the period	458	6	464	29	17,285
Balance at the end of current period	20,764	-4,269	16,495	67	174,656

## (4) Consolidated Statements of Cash Flows

(Unit: million yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	This fiscal year (From April 1, 2015 to March 31, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes	21,490	35,114
Depreciation	4,729	4,721
Impairment loss	476	420
Amortization of goodwill	2,543	2,574
Amortization of negative goodwill	-362	-26
Increase (decrease) in net defined benefit liability	60	76
Increase (decrease) in provision for sales returns	34	116
Increase (decrease) in provision for bonuses	-6	-67
Increase (decrease) in provision for directors' bonuses	-2	-1
Increase (decrease) in allowance for doubtful accounts	-283	777
Increase (decrease) in provision for loss on dissolution of employees' pension fund	170	—
Interest and dividends income	-1,454	-1,242
Interest expense	324	199
Loss (gain) on sales and retirement of noncurrent assets	120	-620
Loss (gain) on sales and valuation of investment securities	-6,207	-677
Decrease (increase) in notes and accounts receivable-trade	3,029	-52,214
Decrease (increase) in inventories	8,483	-1,999
Decrease (increase) in other assets	298	-2,455
Increase (decrease) in notes and accounts payable-trade	-1,865	29,659
Increase (decrease) in other liabilities	-275	98
Increase (decrease) in accrued consumption taxes	3,455	-2,286
Others	-4,219	-4,243
Subtotal	30,539	7,920
Interest and dividends income received	1,454	1,231
Interest expenses paid	-480	-325
Income taxes paid	-6,413	-10,691
Others	4,247	4,246
Net cash provided by (used in) operating activities	29,347	2,381

(Unit: million yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	This fiscal year (From April 1, 2015 to March 31, 2016)
Net cash provided by (used in) investment activities		
Payments into time deposits	-1,033	-1,028
Proceeds from withdrawal of time deposits	1,183	1,310
Purchase of property, plant and equipment	-3,366	-5,923
Proceeds from sales of property, plant and equipment	687	2,429
Purchase of intangible assets	-919	-587
Proceeds from sales of intangible assets	8	2
Purchase of investment securities	-657	-2,532
Proceeds from sales and redemption of investment securities	10,901	3,376
Purchase of stocks of subsidiaries and affiliates	-3,040	-1,708
Expenditures for the performance of asset retirement obligations	-87	-50
Payments of loans receivable	-737	-471
Collection of loans receivable	269	197
Other	248	44
Net cash provided by (used in) investment activities	3,457	-4,942
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-3,186	1,359
Proceeds from long-term loans payable	380	1,170
Repayment of long-term loans payable	-6,349	-5,729
Proceeds from issuance of bonds	15,075	—
Purchase of treasury stock	-9,586	-3,263
Repayments of finance lease obligations	-1,931	-1,915
Cash dividends paid	-1,658	-1,734
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	-20
Net cash provided by (used in) financing activities	-7,258	-10,134
Net increase (decrease) in cash and cash equivalents	25,546	-12,696
Cash and cash equivalents at beginning of period	14,257	40,550
Increase in cash and cash equivalents resulting from merger	49	—
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	697	—
Cash and cash equivalents at end of period	*1 40,550	*1 27,854

## (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.”

(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

①Securities

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.

②Inventories

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 leases 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.

## (4) Accounting method for retirement benefits

7 consolidated subsidiaries (Square One, Pharma Daiwa, 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 2016 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)

(Change in the Accounting Policies)

(Application of the Accounting Standard for Business Combinations and the like)

The Company has applied the “Accounting Standard for Business Combinations” (The Accounting Standards Board of Japan (ASBJ) Statement No.21 issued on September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22 issued on September 13, 2013), and the “Accounting Standard for Business Divestitures” (ASBJ Statement No.7 issued on September 13, 2013), etc. since the consolidated fiscal year under review. Accordingly, the Company has recorded the amount of difference due to the change in the Company’s interests in subsidiaries accounted for using the equity method, over which the Company has maintained control as “capital surplus” and has also changed the relevant accounting policy to a method by which acquisition-related expenses shall be recognized as expenses in the consolidated fiscal year when the said expenses are incurred. As for business combinations to be implemented after the beginning of the consolidated fiscal year ended March 31, 2016, the relevant accounting policy will be changed to a method by which review of each allocated amount of any acquisition cost determined on the basis of the provisional accounting treatment shall be reflected in the consolidated financial statements for the consolidated accounting period to which the date of the relevant business combination belongs. In addition, the Company has changed the presentment of net income, etc. and has also changed the presentation term from “minority interests” to “non-controlling interests.” In order to reflect these changes in the presentment, the Company has restated the consolidated financial statements for the previous fiscal year.

With regard to the application of the Accounting Standard for Business Combinations and the like, the Company has complied with the transitional treatment as stipulated in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, and the application shall be effective from the beginning of this the consolidated fiscal year ended March 31, 2016 onward into the future.

In the consolidated statements of cash flows for the fiscal year ended March 2016, “Net Cash from Financing Activities” includes cash flows related to acquisition or sale of subsidiaries shares non-accompanying a change in the scope of consolidation, and “Cash Flows from Operating Activities” includes cash flows related to the expenditure with shares acquisition of subsidiaries accompanying a change in the scope of consolidation or expenses relative to acquisition or sale of subsidiaries shares non-accompanying a change in the scope.

These changes have only minimal impact on consolidated financial statements and per share data for the fiscal year under review.

(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)

Pursuant to the “Act on Partial Revision of the Income Tax Act etc.” (Act No. 15 of 2016)” and the “Act on Partial Revision of the Local Tax Act, etc.” (Act No. 13 of 2016) which passed the Diet on March 29, 2016, the effective statutory tax rate applied to the calculation of deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2016 (provided that it is limited to those to be settled on and after April 1, 2016) was changed from 32.3% in the previous fiscal year to 30.9% for those which are anticipated to be recovered or paid during the period between April 1, 2016 and March 31, 2018, or 30.6% for those which will be recovered or paid from April 1, 2018 onward.

As a result, deferred tax liabilities (after offsetting deferred tax assets) and deferred tax liabilities for land revaluation decreased by 674 million yen and 49 million yen, respectively; valuation difference on available-for-sale securities and difference in revaluation of land increased by 501 million yen and 45 million yen, respectively; and income taxes-deferred recorded for the consolidated fiscal year ended March 31, 2016 decreased by 176 million yen.

## (Notes to Consolidated Balance Sheets)

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

	Previous fiscal year (As of March 31, 2015)	This fiscal year (As of March 31, 2016)
	44,020 million yen	48,848 million yen

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

	Previous fiscal year (As of March 31, 2015)	This fiscal year (As of March 31, 2016)
Investment securities	10,446 million yen	11,871 million yen

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

## Classified assets pledged

	Previous fiscal year (As of March 31, 2015)	This fiscal year (As of March 31, 2016)
Time deposits	375 million yen	295 million yen
Buildings	5,182 million yen	4,181 million yen
Land	7,805 million yen	7,346 million yen
Investment securities	4,582 million yen	4,414 million yen
Total	17,946 million yen	16,237 million yen

Out of buildings and land pledged in Fiscal year ended March 2015, 1,852 million yen and 2,410 million yen, respectively, as well as out of those pledged in Fiscal year ended March 2016, 2,216 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

	Previous fiscal year (As of March 31, 2015)	This fiscal year (As of March 31, 2016)
Notes and accounts payable	22,302 million yen	20,378 million yen
Long-term debt (including current portion of long-term debt due within one year)	6,754 million yen	2,929 million yen
Total	29,057 million yen	23,308 million yen

## 4 Liabilities guaranteed

## ① Bank loans guaranteed

	Previous fiscal year (As of March 31, 2015)	This fiscal year (As of March 31, 2016)
Akagi Jibiinkoka	3 million yen	Akagi Jibiinkoka 1 million yen

## ② Accounts payable guaranteed

	Previous fiscal year (As of March 31, 2015)	This fiscal year (As of March 31, 2016)
Kyoei yakuhin	70million yen	Kyoei yakuhin 75million yen

## ③ Leases guaranteed

	Previous fiscal year (As of March 31, 2015)	This fiscal year (As of March 31, 2016)
Akagi Jibiinkoka	8 million yen	Akagi Jibiinkoka 3 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

	Previous fiscal year (As of March 31, 2015)	This fiscal year (As of March 31, 2016)
Difference in value of land revalued between market and revalued book value at fiscal year-end	1,847 million yen	1,789million yen

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

	Previous fiscal year (As of March 31, 2015)	This fiscal year (As of March 31, 2016)
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, in order to raise funds for general business purposes in an effective manner, the Company had commitment line agreements with one bank at the end of the fiscal year ended March 31, 2015, and with four banks at the end of the fiscal year ended March 31, 2016.

	Previous fiscal year (As of March 31, 2015)	This fiscal year (As of March 31, 2016)
Lending commitments	1,000 million yen	4,000 million yen
Balance borrowed	— million yen	2,000 million yen
Total remainder	1,000 million yen	2,000 million yen



## (Notes to Consolidated Profit and Loss Statement)

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

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	This fiscal year (From April 1, 2015 to March 31, 2016)
Gain on sale of buildings	24 million yen	46 million yen
Gain on sales of land	41 million yen	885 million yen
Gain on sale of vehicles and carriers	0 million yen	1 million yen
Total	66 million yen	933 million yen

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

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	This fiscal year (From April 1, 2015 to March 31, 2016)
Loss on retirement of buildings	129 million yen	140 million yen
Loss on retirement of tools, furniture and fixtures	10 million yen	12 million yen
Loss on retirement of software	8 million yen	79 million yen
Loss on sale of buildings	0 million yen	31 million yen
Loss on sale of land	37 million yen	48 million yen
Loss on sale of vehicles and carries	0 million yen	—
Total	186 million yen	312 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.

## Previous fiscal year(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.

## This fiscal year(From April 1, 2015 to March 31, 2016)

Location	Purpose	Class
Hello Pharmacy Hajiro Store and 12 other sites	Real estate for business use	Land, buildings and goodwill
Former Hachinohe Sales Office and 18 other sites	Real estate unused	Land and buildings

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 124 million yen. It comprised 57 million yen on land and 46 million yen on buildings and 20 million yen on goodwill. 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 295 million yen was recognized due to the continuous decline in market prices.

It comprised 173 million yen on land and 121 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.

(Notes to Consolidated Statements of Comprehensive Income)

\*1 Recycling and tax effects concerning other comprehensive income

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	This fiscal year (From April 1, 2015 to March 31, 2016)
Valuation difference on available-for-sale securities		
Amount accrued for the current term	15,201 million yen	2,025 million yen
Recycling	-6,360 million yen	-1,958 million yen
Before tax effect adjustment	8,841 million yen	67 million yen
Tax effects	-1,181 million yen	419 million yen
Valuation difference on available-for-sale securities	7,659 million yen	486 million yen
Revaluation reserve for land		
Amount accrued for the current term	—	—
Recycling	—	—
Before tax effect adjustment	—	—
Tax effects	91 million yen	45 million yen
Revaluation reserve for land	91 million yen	45 million yen
Share of other comprehensive income of associates accounted for using equity method		
Amount accrued for the current term	100 million yen	-28 million yen
Total other comprehensive income	7,851 million yen	503 million yen

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

Previous fiscal year (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 previous period (in thousand stocks)	No. of stocks increased during this period (in thousand stocks)	No. of stocks decreased during this period (in thousand stocks)	No. of stocks as of the end of this period (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 thousand shares in treasury common stocks represents an increase of 5,354 thousand shares authorized by the Board of Directors and an increase of 0 thousand 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 this period (million yen)
			End of previous period	This period (Increase)	This period (Decrease)	End of this period	
TOHO HOLDINGS	Euro-Yen denominated convertible bonds due 2019 (Note 1,2)	Common stock	—	6,756	—	6,756	—
	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

This fiscal year (From April 1, 2015 to March 31, 2016)

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 previous period (in thousand stocks)	No. of stocks increased during this period (in thousand stocks)	No. of stocks decreased during this period (in thousand stocks)	No. of stocks as of the end of this period (in thousand stocks)
Outstanding stocks				
Common stocks	78,270	—	—	78,270
Total	78,270	—	—	78,270
Treasury stock				
Common stocks (Note)	8,236	1,421	—	9,657
Total	8,236	1,421	—	9,657

(Note) The increase of 1,421 thousand shares in treasury common stocks represents an increase of 1,419 thousand shares authorized by the Board of Directors and an increase of 1 thousand 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 this period (million yen)
			End of previous period	This period (Increase)	This period (Decrease)	End of this period	
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	—	—	—	—	—	67
Total			6,756	—	—	6,756	67

(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 12, 2015 Board of directors	Common stock	840	12	March 31, 2015	June 8, 2015
November 6, 2015 Board of directors	Common stock	893	13	September 30, 2015	December 4, 2015

(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 11, 2016 Board of directors	Common stock	1,029	Retained earnings	15	March 31, 2016	June 9, 2016

(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

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	This fiscal year (From April 1, 2015 to March 31, 2016)
Cash on hand and on deposit	44,510 million yen	31,531 million yen
Time deposits maturing beyond three months of deposit	-4,562 million yen	-4,280 million yen
Short-term investments (investment securities) becoming due within three months of acquisition	602 million yen	603 million yen
Cash and cash equivalents	40,550 million yen	27,854 million yen

2 Details of important non-monetary transactions

Previous fiscal year (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.

This fiscal year (From April 1, 2015 to March 31, 2016)

The amounts of assets and liabilities related to finance leases newly accounted for in the current term were 612 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

Previous fiscal year (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. 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.

This fiscal year (from April 1, 2015 to March 31, 2016)

	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	1,206,958	99,776	531	1,208	1,308,474	—	1,308,474
(2) Inter-segment internal net sales or transfers	48,473	190	—	185	48,849	-48,849	—
Total	1,255,431	99,967	531	1,394	1,357,324	-48,849	1,308,474
Segment profit	27,315	2,924	301	-136	30,405	-1,786	28,618
Segment assets	534,400	47,771	846	1,994	585,012	57,686	642,698
Other items							
Depreciation	2,742	928	5	19	3,695	1,026	4,721
Amortization of goodwill	302	2,271	—	—	2,574	—	2,574
Amortization of negative goodwill	—	26	—	—	26	—	26
Impairment loss	353	66	—	—	420	—	420
Investment in equity-method affiliate	1,369	—	—	—	1,369	—	1,369
Unamortized balance of goodwill	232	6,489	—	—	6,722	—	6,722
Unamortized balance of negative goodwill	—	75	—	—	75	—	75
Increase in property, plant and equipment and intangible assets	4,896	1,750	0	274	6,922	36	6,959

(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 75,247 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).
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)

Previous fiscal year (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.

This fiscal year (from April 1, 2015 to March 31, 2016)

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)

Previous fiscal year (from April 1, 2014 to March 31, 2015)

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

This fiscal year (from April 1, 2015 to March 31, 2016)

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)

Previous fiscal year (from April 1, 2014 to March 31, 2015)

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

This fiscal year (from April 1, 2015 to March 31, 2016)

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)

Previous fiscal year (from April 1, 2014 to March 31, 2015)

Not applicable.

This fiscal year (from April 1, 2015 to March 31, 2016)

Not applicable.

## (Information per Share)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	This fiscal year (From April 1, 2015 to March 31, 2016)
Net asset per share	2,246.54 yen	2,544.58 yen
Net income per share	181.83 yen	316.51 yen
Net income per share after adjustments on potential shares	177.74 yen	287.93 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:

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	This fiscal year (From April 1, 2015 to March 31, 2016)
Net income per share		
Profit attributable to owners of parent (million yen)	13,535	21,771
Amount not related to shareholders of common stock (million yen)	—	—
Profit attributable to owners of parent from common stock (million yen)	13,535	21,771
Average number of shares of outstanding common stock during fiscal year	74,441,239	68,785,353
Net income per share after adjustments on potential shares		
Adjustment for profit attributable to owners of parent (million yen)	-2	-10
Of which, interest income (after deducting the portion equivalent to tax)(million yen)	(-2)	(-10)
Increase in number of shares of common stock (Including subscription rights to shares)	1,728,260 (25,187)	6,793,266 (36,510)
(Including bonds with subscription rights to shares)	(1,703,073)	(6,756,756)
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:

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	This fiscal year (From April 1, 2015 to March 31, 2016)
Total net asset on consolidated balance sheet (million yen)	157,371	174,656
Amounts to be deducted from total net assets (million yen)	37	67
(Subscription rights to shares) (million yen)	(37)	(67)
Net assets concerning common stocks at the end of the term (million yen)	157,333	174,589
Number of shares of common stock used in calculating net asset per share	70,033,694	68,612,338

## (Significant Subsequent Events)

Not applicable.

## 6. Non-consolidated Financial Statements

### (1) Balance Sheets

(Unit: million yen)

	Previous fiscal year (As of March 31, 2015)	This fiscal year (As of March 31, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	22,158	12,273
Accounts receivable-trade	0	—
Prepaid expenses	85	103
Deferred tax assets	324	86
Other accounts receivable	283	1,240
Short-term loans receivable	5,386	11,438
Others	70	63
Total current assets	28,308	25,205
Noncurrent assets		
Property, plant and equipment		
Buildings, net	15,827	15,081
Structures, net	630	562
Tools, furniture and fixtures, net	78	67
Land	18,784	20,316
Lease assets, net	107	298
Construction in progress	11	13
Total property, plant and equipment	35,439	36,338
Intangible assets		
Leasehold right	147	75
Software	56	30
Others	3	190
Total intangible assets	207	296
Investments and other assets		
Investment securities	53,880	53,823
Stocks of subsidiaries and affiliates	29,536	30,155
Investments in capital of subsidiaries and affiliates	347	276
Long-term loans receivable	181	34
Long-term loans receivable from subsidiaries and affiliates	4,382	6,495
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,141	1,836
Long-term prepaid expenses	16	12
Others	968	974
Allowance for doubtful accounts	-1,414	-2,055
Total investments and other assets	90,038	91,553
Total noncurrent assets	125,685	128,188
Total assets	153,993	153,394

(Unit: million yen)

	Previous fiscal year (As of March 31, 2015)	This fiscal year (As of March 31, 2016)
<b>Liabilities</b>		
Current liabilities		
Short-term loans payable	—	2,000
Current portion of long-term loans payable	3,360	2,140
Lease obligations	53	68
Accounts payable-other	245	468
Accrued expenses	22	33
Income taxes payable	2,397	318
Accrued consumption taxes	210	5
Deposits received	2,864	4,411
Provision for bonuses	42	51
Provision for directors' bonuses	45	45
Others	0	—
<b>Total current liabilities</b>	<b>9,242</b>	<b>9,543</b>
Noncurrent liabilities		
Bonds payable	15,071	15,056
Long-term loans payable	3,700	1,560
Lease obligations	59	251
Deferred tax liabilities	13,974	13,465
Deferred tax liabilities for land revaluation	971	894
Provision for retirement benefits	3	4
Provision for loss on guarantees	—	37
Asset retirement obligations	301	308
Others	193	193
<b>Total noncurrent liabilities</b>	<b>34,276</b>	<b>31,771</b>
<b>Total liabilities</b>	<b>43,518</b>	<b>41,314</b>
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus		
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>
Retained earnings		
Legal retained earnings	664	664
Other retained earnings		
Reserve for reduction entry of land	1,191	1,672
General reserve	6,336	6,336
Retained earnings brought forward	34,167	38,044
<b>Total retained earnings</b>	<b>42,359</b>	<b>46,716</b>
Treasury stock	-13,063	-16,327
<b>Total shareholders' equity</b>	<b>88,583</b>	<b>89,677</b>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	26,107	26,582
Revaluation reserve for land	-4,253	-4,246
<b>Total valuation and translation adjustments</b>	<b>21,854</b>	<b>22,335</b>
Subscription rights to shares	37	67
<b>Total net assets</b>	<b>110,475</b>	<b>112,079</b>
<b>Total liabilities and net assets</b>	<b>153,993</b>	<b>153,394</b>

## (2) Profit and Loss Statement

(Unit: million yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	This fiscal year (From April 1, 2015 to March 31, 2016)
<b>Operating revenue</b>		
Income of management guidance	1,144	1,109
Income of real estate rent	2,084	2,158
Dividends income	8,707	6,141
<b>Total Operating revenue</b>	<b>11,935</b>	<b>9,409</b>
<b>Operating expenses</b>		
Real estate related expenses	1,486	1,515
General and administrative expenses		
Directors' compensations, salaries and allowances	766	1,074
Provision for bonuses	42	51
Provision for directors' bonuses	45	45
Provision for retirement benefits	-2	0
Welfare expenses	94	128
Vehicle expenses	1	1
Provision of allowance for doubtful accounts	-165	641
Depreciation	132	124
Rent expenses	116	166
Taxes and dues	169	215
Others	659	1,216
<b>Total operating expenses</b>	<b>3,347</b>	<b>5,182</b>
<b>Operating income</b>	<b>8,588</b>	<b>4,226</b>
<b>Non-operating income</b>		
Interest income	240	317
Dividend income	1,279	1,094
Commission fee	105	93
Real estate rent	2	4
Amortization of negative goodwill	152	—
Others	94	120
<b>Total non-operating income</b>	<b>1,875</b>	<b>1,630</b>
<b>Non-operating expenses</b>		
Interest expenses	174	108
Bond issuance expenses	49	—
Commitment fee	2	5
Miscellaneous loss	20	59
<b>Total non-operating expenses</b>	<b>247</b>	<b>173</b>
<b>Ordinary income</b>	<b>10,216</b>	<b>5,683</b>

(Unit: million yen)

	Previous fiscal year (From April 1, 2014 to March 31, 2015)	This fiscal year (From April 1, 2015 to March 31, 2016)
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	17	903
Gains on sales of investment securities	9,560	2,246
<b>Total extraordinary income</b>	<b>9,577</b>	<b>3,149</b>
<b>Extraordinary loss</b>		
Loss on disposal of noncurrent assets	23	73
Impairment loss	134	100
Loss on valuation of investment securities	—	1,278
Loss on valuation of stocks of subsidiaries and affiliates	—	281
Others	0	0
<b>Total extraordinary loss</b>	<b>158</b>	<b>1,734</b>
Income before income taxes	19,635	7,098
Income taxes-current	4,297	707
Income taxes-deferred	-821	338
<b>Total income taxes and other</b>	<b>3,475</b>	<b>1,045</b>
<b>Net income</b>	<b>16,160</b>	<b>6,053</b>

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

Previous fiscal year (From April 1, 2014 to March 31, 2015)

(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	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				
Provision of reserve for reduction entry of land				
Reversal of reserve for reduction entry of land				
Increase in reserve owing to tax rate change				
Purchase 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
Provision of reserve for reduction entry of land		—		—	—		—
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
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
Provision of reserve for reduction entry of land					—
Reversal of reserve for reduction entry of land					—
Increase in reserve owing to tax rate change					—
Purchase of treasury stock					-9,586
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



This fiscal year(From April 1, 2015 to March 31, 2016)

(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	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				
Provision of reserve for reduction entry of land				
Reversal of reserve for reduction entry of land				
Increase in reserve owing to tax rate change				
Purchase 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	1,191	6,336	34,167	42,359	-13,063	88,583
Cumulative effects of changes in accounting policies				—	—		—
Restated balance	664	1,191	6,336	34,167	42,359	-13,063	88,583
Changes of items during the period							
Dividends from surplus				-1,734	-1,734		-1,734
Net income				6,053	6,053		6,053
Provision of reserve for reduction entry of land		466		-466	—		—
Reversal of reserve for reduction entry of land		-25		25	—		—
Increase in reserve owing to tax rate change		40		-40	—		—
Purchase of treasury stock						-3,263	-3,263
Reversal of revaluation reserve for land				39	39		39
Net changes of items other than shareholders' equity							
Total changes of items during the period	—	480	—	3,876	4,357	-3,263	1,093
Balance at the end of current period	664	1,672	6,336	38,044	46,716	-16,327	89,677

(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	26,107	-4,253	21,854	37	110,475
Cumulative effects of changes in accounting policies					—
Restated balance	26,107	-4,253	21,854	37	110,475
Changes of items during the period					
Dividends from surplus					-1,734
Net income					6,053
Provision of reserve for reduction entry of land					—
Reversal of reserve for reduction entry of land					—
Increase in reserve owing to tax rate change					—
Purchase of treasury stock					-3,263
Reversal of revaluation reserve for land					39
Net changes of items other than shareholders' equity	474	6	481	29	510
Total changes of items during the period	474	6	481	29	1,604
Balance at the end of current period	26,582	-4,246	22,335	67	112,079