

Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2016

August 3, 2015

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Scheduled Submission Date for Quarterly Report: August 13, 2015 Planned Date of Dividends Payment: —
 Quarterly Supplemental Explanatory Material Prepared: None
 Quarterly Results Briefing Held: None

(Amounts are truncated to the nearest million yen.)

1. Consolidated Results of Operations during the First Quarter of Fiscal Year ending March 31, 2016 (from April 1, 2015 to June 30, 2015)

(1) Consolidated Results of Operations (Cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Quarter ended June 2015	295,159	4.9	2,687	-7.7	4,309	-7.9	1,358	-50.8
First Quarter ended June 2014	281,479	-2.7	2,911	19.4	4,676	11.1	2,759	5.1

(Note) Comprehensive income: First Quarter ended June 2015: 1,696 million yen (-53.1%); First Quarter ended June 2014: 3,619 million yen (39.1%)

	Current Net Income per Share		Current Net Income per Share - Diluted	
	Yen		Yen	
First Quarter ended June 2015	19.67		17.88	
First Quarter ended June 2014	36.60		36.59	

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	Million yen	Million yen	%
First Quarter ended June 2015	589,041	155,400	26.4
Fiscal Year ended March 2015	599,950	157,371	26.2

(Reference) Shareholder's equity: First Quarter ended June 2015: 155,362 million yen; Fiscal Year ended March 2015: 157,333 million yen

2. Historical Payment of Dividends

	Annual Cash Dividend per Share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen		Yen		Yen
Fiscal Year ended March 2015	—	12.00	—	12.00	24.00
Fiscal Year ending March 2016	—				
Fiscal Year ending March 2016 (Projected)		13.00	—	13.00	26.00

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

3. Projected Consolidated Results of Operations during Fiscal Year ending March 2016

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

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	583,000	3.9	4,800	83.0	7,200	29.5	4,200	39.1	60.95
Full year	1,201,000	3.3	12,700	26.8	17,900	12.6	10,200	-24.6	148.19

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

※ Notes

- (1) Changes in material subsidiaries during the first quarter ended June 2015: N.A.
 (Changes in special subsidiaries accompanying a change in the scope of consolidation)
 Inclusion — (Company name:) Exclusion —(Company name:)
- (2) Application of accounting process which is peculiar to the compilation of consolidated quarterly financial statements: N.A.
- (3) Changes in accounting policies and changes in accounting estimates, and correction and restatement
- (i) Changes in accounting policies with revisions in the accounting standards, etc.: Applicable
 - (ii) Changes in accounting policies other than those under the item (i): N.A.
 - (iii) Changes in the accounting estimates: N.A
 - (iv) Correction and Restatement: N.A

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

(4) Number of shares outstanding (Common stock)

(i) Number of shares outstanding at end of fiscal year (Including common stock for treasury)	First Quarter ended June 2015	78,270,142	Fiscal Year ended March 2015	78,270,142
(ii) Number of treasury stocks at end of fiscal year	First Quarter ended June 2015	9,516,504	Fiscal Year ended March 2015	8,236,448
(iii) The average number of shares during the first quarter	First Quarter ended June 2015	69,070,275	First Quarter ended June 2014	75,388,887

* Indicates quarterly review procedure implementation status

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

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

Any forward-looking statements contained in this report, including performance projections, are based on information currently available to the Company as well as certain assumptions that the Company determined to be rational at the time of the release of this report, and it is not intended that the Company undertake to achieve such results. Actual results may differ significantly from the projections above, due to a variety of factors. Please refer to Qualitative Information on Projected Consolidated Results of Operations on page 3 of this report (the Attached Document) for the suppositions on which the performance projections are based and points that have to be borne in mind for the use of such projections.

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1. Qualitative Information on Financial Results for the First Quarter ended June 2015

(1) Explanation of Management Results

In spite of the adverse effects of ongoing measures to curtail medical expenses as seen in the increasing use of generic drugs, the prescription pharmaceuticals market achieved a 5.6% growth during the first quarter under review, compared to the same period of the previous year (estimated by CRECON Research & Consulting Inc.), partly due to higher sales of pharmaceuticals in the wake of the aging population as well as a growth of new drugs, and partly due to a lower comparison base of the same period of the previous year when there had been a backlash of last-minute demand before the consumption tax hike.

In order to respond to future changes in the market environment, the TOHO HOLDINGS Group (hereafter “the Group”) has been developing various customer support systems that are designed to solve the problems and issues facing patients and medical institutions, and has thereby promoted shifting to a business model that focuses on the provision of value-added services, of which the existence value will be demonstrated across a wide range of areas relevant to medical care and health. In addition, the Company shifted its group management structure from a pure holding company system to an operating holding company system for the purpose of strengthening the group management structure and enhancing the Group’s competitiveness in order to pre-empt further market changes by taking flexible and speedy responses. Under the operating holding company system, the Company has been aiming for the Group’s continued growth and higher enterprise value by powerfully advancing both new business development and shifting to a business model that focuses on the provision of value-added services.

The Company’s operating results for the consolidated cumulative first quarter of the fiscal year ending March 2016 recorded 295,159 million yen for net sales (an increase of 4.9% on a year-on-year basis), 2,687 million yen for operating income (a decrease of 7.7% on a year-on-year basis), 4,309 million yen for ordinary income (a decrease of 7.9% on a year-on-year basis), and 1,358 million yen for net income attributable to the shareholders of the parent company (a decrease of 50.8% on a year-on-year basis) partly due to loss on valuation of investment securities.

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

The pharmaceutical wholesaling business has strived to secure appropriate profits and to increase profits from fee-based business. This business segment has also advanced its efforts to diffuse its customer support systems by focusing on a proposal that integrates the series of Dispensing ENI-Pharma, which comprehensively supports dispensing pharmacy operations, and ENIFvoice SP, a voice-recognition medication history recording support system.

In addition, this business segment has enhanced its functions of both distribution centers and call centers, and has also forged ahead with an integrated reform in sales and distribution with a view to reducing costs and improving efficiency of operations by means of a fundamental overhaul of existing operations.

As a result, in the first quarter of the current fiscal year, the pharmaceutical wholesaling business posted net sales of 282,827 million yen (an increase of 4.9% on a year-on-year basis) and segment income (operating income) of 2,248 million yen (a decrease of 23.1% on a year-on-year basis).

The dispensing pharmacy business has endeavored to expand its operations. At the same time, it has implemented both profitability enhancement measures through its store management in response to the direction of dispensing fees, and cost reduction measures such as the standardization of store operations and consolidation of some operations into headquarters.

As a result, in the first quarter of the current fiscal year, the dispensing pharmacy business posted net sales of 23,672 million yen (an increase of 6.9% on a year-on-year basis) and segment income (operating income) of 446 million yen (an increase of 2,309.6% on a year-on-year basis).

In the SMO operations, net sales for the first quarter ended June 2015 amounted to 126 million yen (an increase of 73.8% on a year-on-year basis) and segment income (operating income) was 68 million yen (an increase of 250.5% on a year-on-year basis).

In the information equipment sales operations, net sales for the first quarter ended June 2015 totaled 233 million yen (an increase of 37.8% on a year-on-year basis), with a segment loss (operating loss) of 72 million yen.

(Note) Segment net sales include inter-segment transactions.

(2) Explanation of Financial Position

(Assets)

Current assets decreased 2.4% from the end of the previous consolidated fiscal year to 419,710 million yen with a decrease in cash and deposits of 9,927 million yen, and a decrease in notes and accounts receivable-trade of 1,168 million yen.

Noncurrent assets decreased 0.3% from the end of the previous consolidated fiscal year, to 169,331 million yen, with an increase in property, plant and equipment of 622 million yen, and a decrease in goodwill of 638 million yen, and a decrease in investment securities of 285 million yen.

As a result, consolidated net assets decreased 1.8% from the end of the previous consolidated fiscal year, to 589,041 million yen.

(Liabilities)

Current liabilities decreased 1.5% from the end of the previous consolidated fiscal year to 384,342 million yen with an increase in provision for bonuses of 1,688 million yen, and a decrease in income taxes payable of 4,869 million yen, and a decrease in accrued consumption taxes of 2,528 million yen.

Noncurrent liabilities decreased 5.9% from the end of the previous consolidated fiscal year, to 49,298 million yen with a decrease in long-term loans payable of 2,672 million yen, and a decrease in long-term lease obligations of 469 million yen.

As a result, total liabilities decreased 2.0% from the end of the previous consolidated fiscal year, to 433,640 million yen.

(Net assets)

Total net assets decreased 1.3% from the end of the previous consolidated fiscal year to 155,400 million yen. This is

partly due to an increase in treasury stocks of 2,826 million yen, while retained earnings increased by 572 million yen.

(3) Explanation of Projections of Consolidated Operating Results for Fiscal Year ending March 2016

There are no changes in the projected consolidated results of operations for the cumulative second quarter of the fiscal year ending March 2016 and the full-term of the fiscal year published on May 12, 2015.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Material Subsidiaries during the First Quarter ended June 2015

Not Applicable.

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

Not Applicable.

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

(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 this consolidated first quarter. 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 this consolidated first quarter, 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 quarterly consolidated financial statements for the consolidated quarterly accounting period to which the date of the relevant business combination belongs. In addition, the Company has changed the presentment of quarterly 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 quarterly consolidated financial statements for the consolidated cumulative first quarter of the previous fiscal year and 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 consolidated first quarter onward into the future.

For reference, please note that the effect on the quarterly consolidated financial statements for this consolidated cumulative first quarter is minor.

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

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	End of consolidated this first quarter (As of June 30, 2015)
Assets		
Current assets		
Cash and deposits	44,510	34,582
Notes and accounts receivable-trade	279,119	277,950
Short-term investment securities	602	602
Merchandise and finished goods	73,229	73,590
Other	32,983	33,388
Allowance for doubtful accounts	-411	-404
Total current assets	430,034	419,710
Noncurrent assets		
Property, plant and equipment	84,516	85,139
Intangible assets		
Goodwill	9,108	8,470
Other	3,053	2,938
Total intangible assets	12,162	11,409
Investments and other assets		
Investment securities	64,354	64,069
Other	10,664	10,475
Allowance for doubtful accounts	-1,783	-1,762
Total investments and other assets	73,236	72,782
Total noncurrent asset	169,915	169,331
Total assets	599,950	589,041

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2015)	End of consolidated this first quarter (As of June 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	360,689	360,231
Short-term loans payable	6,868	6,619
Income taxes payable	6,454	1,585
Provision for bonuses	3,557	5,245
Provision for directors' bonuses	78	30
Provision for sales returns	337	338
Provision for loss on dissolution of employees' pension fund	170	170
Asset retirement obligations	—	53
Other	12,025	10,068
Total current liabilities	390,179	384,342
Noncurrent liabilities		
Bonds payable	15,071	15,067
Long-term loans payable	8,768	6,096
Provision for retirement benefits	1,636	1,673
Asset retirement obligations	1,084	1,068
Negative goodwill	102	95
Other	25,735	25,296
Total noncurrent liabilities	52,398	49,298
Total liabilities	442,578	433,640
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	47,814	47,814
Retained earnings	95,862	96,434
Treasury stock	-13,024	-15,850
Total shareholders' equity	141,303	139,048
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,306	20,644
Revaluation reserve for land	-4,276	-4,330
Total accumulated other comprehensive income	16,030	16,314
Subscription rights to shares	37	37
Total net assets	157,371	155,400
Total liabilities and net assets	599,950	589,041

(2) Quarterly Consolidated Profit and Loss Statement and Quarterly Consolidated Statements of Comprehensive Income
 Quarterly Consolidated Profit and Loss Statement
 [Cumulative period for the consolidated first quarter]

(Unit: million yen)

	Cumulative period for previous consolidated first quarter (from April 1, 2014 to June 30, 2014)	Cumulative period for this consolidated first quarter (from April 1, 2015 to June 30, 2015)
Net sales	281,479	295,159
Cost of sales	254,353	268,655
Gross profit	27,125	26,504
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	10,794	10,437
Provision for bonuses	1,874	1,741
Provision for directors' bonuses	19	19
Retirement benefit expenses	57	57
Welfare expenses	1,968	1,919
Vehicle expenses	379	314
Provision of allowance for doubtful accounts	-38	-25
Depreciation	1,143	1,140
Amortization of goodwill	626	638
Rent expenses	1,750	1,740
Taxes and dues	332	386
Expense before deduction of temporary consumption tax payment	1,237	1,312
Other	4,067	4,133
Total selling, general and administrative expenses	24,213	23,816
Operating income	2,911	2,687
Non-operating income		
Interest income	5	10
Dividend income	618	409
Commission fee	700	721
Amortization of negative goodwill	143	6
Equity in earnings of affiliates	0	1
Other	562	695
Total non-operating income	2,031	1,845
Non-operating expenses		
Interest expenses	93	56
Expenses of real estate rent	147	115
Other	25	52
Total non-operating expenses	266	224
Ordinary income	4,676	4,309

(Unit: million yen)

	Cumulative period for previous consolidated first quarter (from April 1, 2014 to June 30, 2014)	Cumulative period for this consolidated first quarter (from April 1, 2015 to June 30, 2015)
Extraordinary income		
Gain on sales of noncurrent assets	28	73
Other	1	0
Total extraordinary income	30	73
Extraordinary loss		
Loss on disposal of noncurrent assets	21	10
Loss on valuation of investment securities	—	1,219
Impairment loss	124	79
Other	—	3
Total extraordinary loss	145	1,312
Income before income taxes	4,561	3,069
Income taxes-current	2,690	1,758
Income taxes-deferred	-888	-47
Total income taxes	1,802	1,711
Current net income	2,759	1,358
Profit attributable to owners of parent	2,759	1,358

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

(Unit: million yen)

	Cumulative period for previous consolidated first quarter (from April 1, 2014 to June 30, 2014)	Cumulative period for this consolidated first quarter (from April 1, 2015 to June 30, 2015)
Current net income	2,759	1,358
Other comprehensive income		
Valuation difference on available-for-sale securities	851	351
Share of other comprehensive income of associates accounted for using equity method	8	-14
Total other comprehensive income	860	337
Comprehensive income	3,619	1,696
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,619	1,696
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes of Quarterly Consolidated Financial Statements

(Notes Concerning Premise of a Going Business)

Not applicable.

(Notes concerning Material Changes in Shareholders' Equity)

Cumulative period for this consolidated first quarter (from April 1, 2015 to June 30, 2015)

Not applicable

(Segmental Information)

I Cumulative period for previous consolidated first quarter (from April 1, 2014 to June 30, 2014)

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

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (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	259,124	22,141	72	140	281,479	—	281,479
(2) Inter-segment internal net sales or transfers	10,410	7	—	28	10,447	-10,447	—
Total	269,535	22,149	72	169	291,926	-10,447	281,479
Segment profit	2,923	18	19	-90	2,871	40	2,911

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

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

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

Not applicable

II Cumulative period for this consolidated first quarter (from April 1, 2015 to June 30, 2015)

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

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note 2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales							
(1) Net sales to external customers	271,148	23,661	126	224	295,159	—	295,159
(2) Inter-segment internal net sales or transfers	11,679	11	—	9	11,700	-11,700	—
Total	282,827	23,672	126	233	306,859	-11,700	295,159
Segment profit	2,248	446	68	-72	2,691	-3	2,687

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

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

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

Not applicable