

Summary of Consolidated Financial Results of Fiscal Year Ended March 31, 2017

May 11, 2017

Name of Listed Company: TOHO HOLDINGS CO., LTD. Listed: Tokyo Stock Exchange
 Securities Code Number: 8129 URL: <http://www.tohold.co.jp/en/>
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Planned Date of General Meeting of Shareholders: June 29, 2017 Planned Date of Dividends Payment: June 9, 2017

Planned Date of Filing of Annual Securities: June 29, 2017

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 2017 (from April 1, 2016 to March 31, 2017)

(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 2017	1,231,046	-5.9	14,244	-50.2	19,844	-42.5	14,225	-34.7
FY Ended March 2016	1,308,474	12.6	28,618	185.7	34,493	116.9	21,771	60.8

(Note) Comprehensive income: FY Ended March 2017: 15,296 million yen (4.2%); FY Ended March 2016: 22,275 million yen (4.2%)

	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 2017	207.12	188.22	7.8	3.2	1.2
FY Ended March 2016	316.51	287.93	13.1	5.6	2.2

(Reference) Equity in earnings (losses) of equity-method investees : FY Ended March 2017: 48 million yen; FY Ended March 2016: 58 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 2017	598,871	188,271	31.4	2,736.30
FY Ended March 2016	642,698	174,656	27.2	2,544.58

(Reference) Shareholder's equity: FY Ended March 2017: 188,126 million yen; FY Ended March 2016: 174,589 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 2017	16,062	-6,294	-9,900	27,721
FY Ended March 2016	2,381	-4,942	-10,134	27,854

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 2016	—	13.00	—	15.00	28.00	1,923	8.8	1.2
FY Ended March 2017	—	15.00	—	15.00	30.00	2,060	14.5	1.1
FY Ending March 2018 (Projected)	—	15.00	—	15.00	30.00		20.0	

3. Consolidated Projected Results of Operations during Fiscal Year Ending March 2018 (from April 1, 2017 to March 31, 2018)

(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 2017	573,000	-6.9	5,000	-34.6	7,200	-31.9	4,000	-41.9	58.18
FY Ending March 2018	1,186,000	-3.7	14,300	0.4	18,700	-5.8	10,300	-27.6	149.81

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)

FY Ended March 2017	78,270,142	FY Ended March 2016	78,270,142
FY Ended March 2017	9,518,069	FY Ended March 2016	9,657,804
FY Ended March 2017	68,681,975	FY Ended March 2016	68,785,353

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

(iii) The average number of shares during fiscal year

(Reference) Summary of Non-consolidated Financial Statements

1. Non-Consolidated Results of Operations for Fiscal year ended March 2017 (from April 1, 2016 to March 31, 2017)

(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 2017	17,890	90.1	13,301	214.7	14,173	149.4	14,358	137.2
FY Ended March 2016	9,409	-21.2	4,226	-50.8	5,683	-44.4	6,053	-62.5

	Net Income per Share	Net Income per Share - Diluted
	yen	yen
FY Ended March 2017	209.03	189.96
FY Ended March 2016	87.98	79.95

(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 2017	163,573	125,469	76.6	1,822.53
FY Ended March 2016	153,394	112,079	73.0	1,632.27

(Reference) Shareholder's Equity FY Ended March 2017: 125,323 million yen FY Ended March 2016: 112,012 million yen

* The Financial Results of Fiscal year ended March 2017 were exempt from the audit.

* 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)Summary of Management Results for This fiscal year of "1. Summary of Management Results" 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 16, 2017. 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.

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1. Summary of Management Results

(1) Summary of Management Results for This fiscal year

(Management Results for This fiscal year)

During the consolidated fiscal year under review, the prescription pharmaceuticals market recorded significant negative year-on-year growth despite a contribution from new drugs such as cancer drugs, due to promotion of measures to curtail medical expenses such as the 7.8% reduction in the NHI drug prices including exceptions to repricing measures for market expansion in April 2016 and the revision of medical treatment fees for accelerating further use of generic drugs as well as a rapid shrinking of the market for the curative drugs for hepatitis C which had grown sharply in the previous year.

Under these circumstances, the Group has, as a corporate group engaged in the areas of medical care, healthcare, and nursing care with the pharmaceutical wholesaling and the dispensing pharmacy business as its two business pillars, developed and proposed a variety of customer support systems to offer solutions to problems faced by patients and medical institutions and contributed to the establishment of a community comprehensive healthcare system, thereby promoting a shift to a business model that focuses on value-added services that are useful in a wide range of situations.

Regarding KYOSOMIRAI PHARMA we established in November 2016, with the launch of two ingredients/three products listed on the NHI drug prices as a supplement in December 2016, it has got off to a good start as witnessed by strong sales and profit results. KYOSOMIRAI PHARMA aims to establish a business scheme of integrated manufacture and sales which accurately respond to customers' demands and to stably and effectively provide prescription pharmaceuticals centered on high quality and high value-added generic drugs.

In the consolidated fiscal year ended March 31, 2017, the Company recorded net sales of 1,231,046 million yen (down 5.9% year on year), operating income of 14,244 million yen (down 50.2%), ordinary income of 19,844 million yen (down 42.5%) and net income attributable to owners of the Parent of 14,225 million yen (down 34.7%).

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

In the pharmaceutical wholesaling business, we strove to secure appropriate profits through single item price negotiation based on price systems which take the values of individual products into account and expand fee businesses by focusing on proposal of the Company's unique customer support systems. In addition, in order to improve productivity, we continued a fundamental review of existing operations and promoted total workforce optimization through consolidation of indirect operations.

As a result, the increasing number of contracts for "ENIFvoice SP", a voice-recognition electronic medication history recording support system, and "initial examination reservation service" as well as steady sales of other customer support systems contributed to earnings of the business. However, having been heavily affected by the negative growth of the prescription pharmaceuticals market and the shrinkage of the market for the curative drugs for hepatitis C, for the consolidated fiscal year under review the pharmaceutical wholesaling business posted net sales of 1,180,640 million yen (down 6.0% from the previous year) and segment income (operating income) of 13,998 million yen (down 48.8% from the previous year).

In the dispensing pharmacy business, we endeavored to improve profitability by: having each pharmacy promote measures to establish functions tailored to the dispensing fee revision; providing high value-added services that meet customers' needs through community healthcare-based store management; and increasing management efficiency through standardization of store operations and consolidation of some operations into the headquarters. However, suffering significantly the negative effects of the dispensing fee and NHI drug price revisions, the dispensing pharmacy business posted for the consolidated fiscal year under review net sales of 95,807 million yen (down 4.2% from the previous year) and segment income (operating income) of 1,244 million yen (down 57.4% from the previous year).

In the SMO operations, consolidated net sales were 322 million yen (a year-on-year decrease of 39.4%) and segment income (operating income) was 74 million yen (a year-on-year decrease of 75.2%).

In the information equipment sales operations, net sales were 1,614 million yen (a year-on-year increase of 15.8%) and segment income (operating income) was 81 million.

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

(Projections for the Next Fiscal Year)

In the prescription pharmaceuticals market to which the Company belongs, with the current fiscal year being the second year from the NHI drug price revisions, amid ongoing promotion of measures to facilitate generic drug use and cut medical expenses, it remains difficult to predict moves in the market.

In this context, the pharmaceutical wholesaling business will: step up efforts to secure appropriate profits through single item price negotiation; expand fee businesses by launching an all-in-one automatic voice-recognition and electronic medication history recording system, "ENIFvoice SP+A", and an operations supporting terminal equipped with automatic voice recognition system for visiting nurses, "ENIF NURSE", and promoting widespread use of the "initial examination reservation service", etc.; and continue pressing ahead with a shift to a business model that focuses on the provision of value-added services. In addition, we will endeavor to increase the number of members of the Kyoso Mirai Group in Pharmacy and strengthen our operating base. We will also continue the fundamental review of existing operations and promote total workforce optimization through consolidation of indirect operations to achieve further improvement in productivity.

KYOSOMIRAI PHARMA will solve problems faced by patients and medical institutions and contribute to earnings

of the Company through release of new products under its own brands to be listed on the NHI drug prices as a supplement in June and December 2017 and stable and effective supply of high quality and high value-added generic drugs.

The dispensing pharmacy business will, on the other hand, have each pharmacy promote measures to establish functions tailored to the dispensing fee revision and continue to provide high value-added services that meet customers' needs through community healthcare-based store management. The business will also strive to increase management efficiency and improve profitability through total workforce optimization and a review of the overall cost which will be achieved by standardization of store operations and consolidation of some operations into the headquarters.

Accordingly, net sales for the next fiscal year ending March 2018 are projected to be 1,186,000 million yen (down 3.7% from the previous year), with the operating income estimated at 14,300 million yen (up 0.4%), ordinary income, 18,700 million yen (down 5.8%), and profit attributable to owners of parent, 10,300 million yen (down 27.6%).

(2) Summary of Financial Position for This fiscal year

① State of assets, liabilities, and net assets

(i) Asset

Consolidated current assets as of the end of March 2017 decreased 10.0% from the end of the previous consolidated fiscal year to 427,052 million yen, due mainly to a decrease in notes and accounts receivable-trade of 47,043 million yen, and a decrease in merchandise and finished goods of 1,653 million yen.

Noncurrent assets as of the end of March 2017 increased 2.3% from the end of the previous year to 171,818 million yen, due mainly to an increase in construction in progress of 4,376 million yen, and an increase in investment securities of 2,935 million yen, and a decrease in goodwill of 2,421 million yen.

As a result, consolidated total assets as of the end of March 2017 decreased 6.8% from the end of the previous consolidated fiscal year to 598,871 million yen.

(ii) Liability

Current liabilities decreased 12.5% from the end of the previous consolidated fiscal year to 368,758 million yen, owing to a decrease in notes and accounts payable-trade of 41,309 million yen, and a decrease in income taxes payable of 7,431 million yen.

Noncurrent liabilities decreased 10.3% from the end of the previous consolidated fiscal year to 41,841 million yen with a decrease in long-term loans payable of 3,422 million yen.

As a result, total liabilities decreased 12.3% year-on-year to 410,599 million yen.

(iii) Net Assets

Total net assets were up 7.8% from the end of the previous consolidated fiscal year to 188,271 million yen, with an increase in retained earnings of 12,184 million yen, and an increase in valuation difference on available-for-sale securities of 1,071 million yen.

② Cash Position

Cash and cash equivalents (hereinafter referred to as "cash") during this consolidated fiscal year decreased by 132 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 27,721 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 16,062 million yen (an increase of 13,681 million yen on a year-on-year basis). Although inflow was secured by some positive factors such as net income before income taxes of 21,871 million yen, depreciation of 4,483 million yen, amortization of goodwill of 2,188 million yen, and a decrease in notes and accounts receivable-trade of 47,053 million yen, these were somewhat offset by negative factors including increase in notes and accounts payable-trade of 41,302 million yen, decrease in accrued consumption taxes of 1,002 million yen, and income taxes paid of 17,122 million yen.

(ii) Cash Flows from Investing Activities

Cash flow from investing activities was an outflow of 6,294 million yen (a decrease of 1,351 million yen from the previous fiscal year). Positive factor, i.e. proceeds from sales of property, plant and equipment of 4,195 million yen and proceeds from sales and redemption of investment securities of 2,398 million yen, was somewhat offset by negative factors including purchase of property, plant and equipment of 7,159 million yen, purchase of intangible assets of 1,402 million yen, purchase of stocks of subsidiaries and affiliates of 2,499 million yen, and payments of loans receivable of 1,364 million yen.

(iii) Cash Flows from Financing Activities

Cash flow from financing activities was an outflow of 9,900 million yen (an increase of 234 million yen from the previous fiscal year), which is mainly attributable to net decrease in short-term loans payable of 1,507 million yen, repayment of long-term loans payable of 4,698 million yen, repayments of finance lease obligations of 1,851 million yen, and cash dividends paid of 2,058 million yen.

(Reference) Trends in key indicators of cash flows

	Fiscal year ended March 2013	Fiscal year ended March 2014	Fiscal year ended March 2015	Fiscal year ended March 2016	Fiscal year ended March 2017
Shareholder's Equity Ratio (%)	23.9	25.4	26.2	27.2	31.4
Shareholder's Equity Ratio at Market Value (%)	27.3	28.4	23.7	25.7	26.7
Ratio of cash flows to interest-bearing debts (%)	83.0	—	104.7	1,148.0	132.2
Interest Coverage Ratio (time)	57.9	—	61.1	7.3	83.0

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. The Company decided to pay an annual dividend of 30 yen per share including an interim dividend (15 yen per share) for the fiscal year ended March 31, 2017. 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, 2017).

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, the fundamental reform of the NHI drug pricing system 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,” 78 subsidiaries, and 16 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 5 consolidated subsidiaries (TOHO PHARMACEUTICAL, Kyushu Toho, SAYWELL, Koyo, Godo Toho), 14 non-consolidated subsidiaries and four affiliates (Sakai Yakuhin and three 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 35 subsidiaries (Dispensing pharmacies business: Pharma-Daiwa, J. Mirai Medical, Shimizu Pharmacy, Pharma Mirai, Seiko Medical Brain, VEGA PHARMA, Cure, Aobado, Kosei, and 26 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 and SQUARE · ONE (consolidated subsidiaries) undertake real estate agency operations.

(2) Dispensing Pharmacies Business

The Company’s 9 consolidated subsidiaries (Pharma-Daiwa, J. Mirai Medical, Shimizu Pharmacy, Pharma Mirai, Seiko Medical Brain, VEGA PHARMA, Cure, Aobado, and Kosei), 26 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

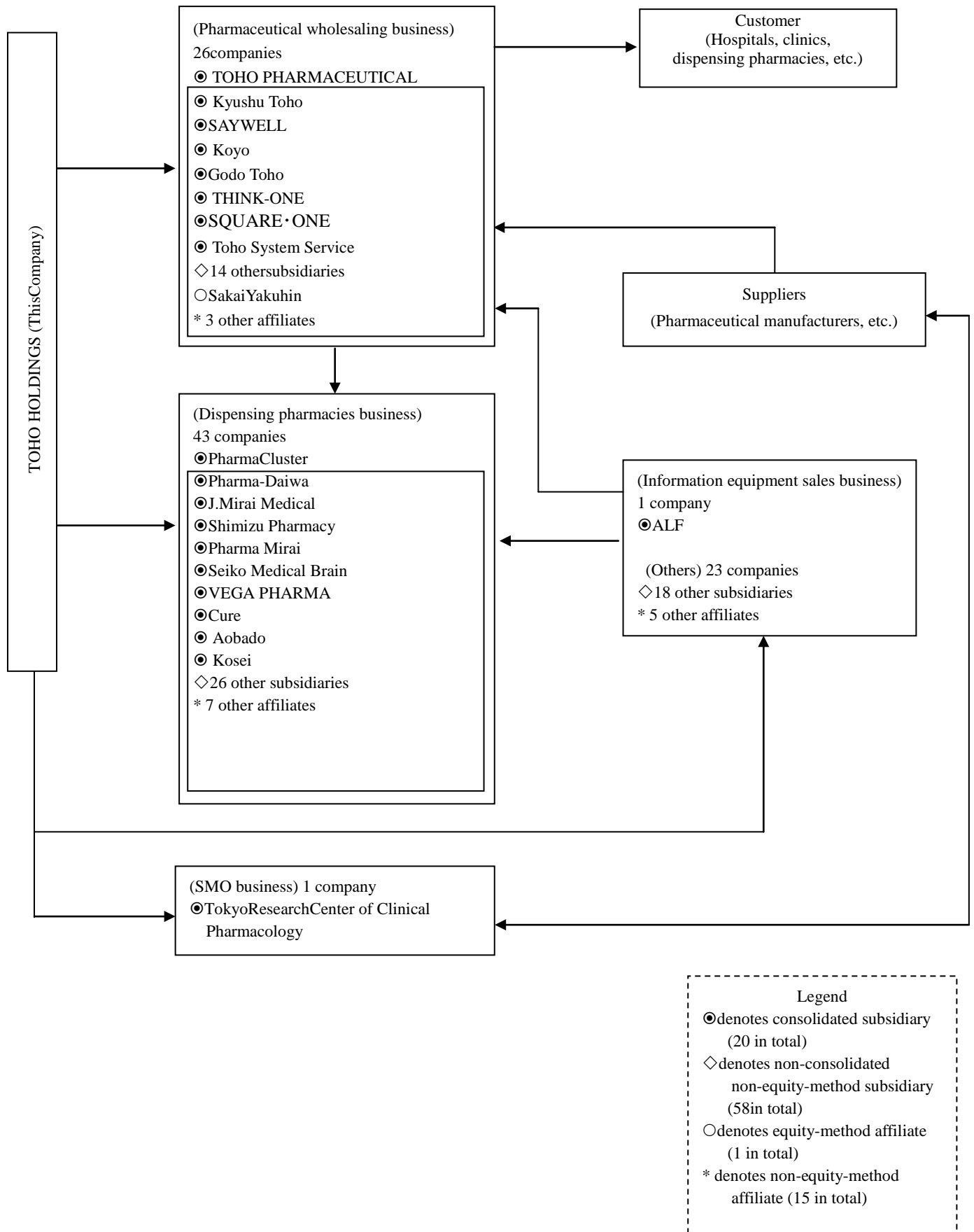
The Tokyo Research Center of Clinical Pharmacology, a consolidated subsidiary, undertakes SMO (Site Management Organization) operations.

(4) Information Equipment Sales Business

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

Other companies (18 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.



[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	Real estate agency	100.00 (40.00)	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.
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.
(Equity-Method Affiliates)					
Sakai Yakuhiin	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	1,167,075 million yen
	② Ordinary income	16,794 million yen
	③ Net income	12,441 million yen
	④ Net Assets	51,322 million yen
	⑤ Total Assets	440,269 million yen
(i i) SAYWELL	① Net sales	154,094 million yen
	② Ordinary income	2,605 million yen
	③ Net income	1,709 million yen
	④ Net Assets	30,135 million yen
	⑤ Total Assets	66,978 million yen

5. Godo Toho, the consolidated subsidiary, was merged into TOHO PHARMACEUTICAL, the consolidated subsidiary, on April 1, 2017.
 6. THINK-ONE, the consolidated subsidiary, was merged into SQUARE-ONE, the consolidated subsidiary, on April 1, 2017.

3. Business Management Policy

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.

In order to develop and maintain sustainable social security systems amidst extending healthy life expectancy, super-aging society, and decrease in the total population in Japan, the government is currently moving ahead with measures to build a “community comprehensive healthcare system” and curtail medical expenses. In an effort to reform the medical services provision framework, the focus is shifting away from all-inclusive facility care to all-inclusive community care under the community comprehensive healthcare system. Furthermore, the government has put exceptions to repricing measures for market expansion and determined basic policy regarding the fundamental reform of the NHI drug pricing system, including introduction of the once-yearly NHI drug price revision as measures to slash medical expenses. The government has also been promoting measures to encourage wider use of generic drugs.

As seen above, the environment surrounding the healthcare and pharmaceuticals industries has been changing dramatically. Under these circumstances, the Group will, as a corporate group engaged in the areas of medical care, healthcare, and nursing care, respond quickly and appropriately to the rapidly changing environment and tackle cutting-edge challenges ahead of its competitors to make a contribution to the extension of the healthy life expectancy for men and women in Japan and the establishment and maintenance of sustainable social security systems. To this end, we will develop and propose customer support systems which will help patients, medical institutions, specialists in the fields of home and nursing care, etc. to solve their problems. In the dispensing pharmacy business, we will contribute to the establishment of a community comprehensive healthcare system through measures such as propelling pharmacy function reform to transform existing pharmacies into healthcare support pharmacies and promote a shift to a business model that focuses on value-added services useful in a wide range of situations. In anticipation of the era in which generic drugs account for 80% or more of the pharmaceuticals market on a volume basis, we aim to construct a supply chain of integrated manufacture and sales to offer generic drugs whose quality is ensured by independent validation in a stable manner based on an estimate of customer demand. We believe this will provide solutions to problems faced by patients and medical institutions and help to increase the Group’s profitability.

Meanwhile, we will put more effort into consolidation and standardization of operations and workforce optimization on a group-wide basis so as to boost productivity, secure stable profits, and increase earnings.

Keenly aware of the public nature of our business as a medical services and healthcare company and our mission as part of the social infrastructure, we will seek to supply safe and secure pharmaceuticals by reviewing our functions from a business continuity perspective without placing the greatest emphasis on economic rationality, and making the investment necessary for ensuring stable pharmaceutical supply during disasters, pandemics, etc. supported by stakeholders’ trust and cooperation.

Through the implementation of the above-mentioned measures, we will strive to become a corporate group relied upon and continuously supported by all stakeholders including patients, customers, local communities, shareholders, and employees.

Under these basic management policies, we will formulate a new medium-term management plan and release it as soon as it is developed.

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, 2016)	This fiscal year (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	*3 31,531	*3 31,966
Notes and accounts receivable-trade	331,248	284,205
Short-term investment securities	613	—
Merchandise and finished goods	75,229	73,575
Deferred tax assets	2,227	1,714
Purchase rebates receivable	14,607	15,824
Others	19,682	20,077
Allowance for doubtful accounts	-425	-312
Total current assets	474,715	427,052
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	*3 31,696	*3 29,787
Vehicles, net	29	17
Land	*3,*5 43,981	*3,*5 43,953
Lease assets, net	7,439	6,831
Construction in progress	377	4,753
Others	1,045	1,027
Total property, plant and equipment	*1 84,569	*1 86,371
Intangible assets		
Goodwill	6,722	4,300
Others	2,773	2,998
Total intangible assets	9,495	7,298
Investments and other assets		
Investment securities	*2, *3 65,846	*2, *3 68,781
Long-term loans receivable	1,652	2,632
Deferred tax assets	485	
Others	*2 8,479	*2 ,605
Allowance for doubtful accounts	-2,546	-2,605
Total investments and other assets	73,917	78,148
Total noncurrent assets	167,983	171,818
Total assets	642,698	598,871

(Unit: million yen)

	Previous fiscal year (As of March 31, 2016)	This fiscal year (As of March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	*3 390,349	*3 349,039
Short-term loans payable	*6 4,243	*6 2,736
Current portion of long-term loans payable	*3 2,643	*3 1,480
Lease obligations	2,147	2,193
Income taxes payable	10,451	3,020
Accrued expenses	2,237	2,323
Provision for bonuses	3,489	3,506
Provision for directors' bonuses	76	75
Provision for sales returns	453	324
Provision for loss on dissolution of employees' pension fund	170	—
Asset retirement obligations	5	—
Others	5,133	4,058
Total current liabilities	421,401	368,758
Noncurrent liabilities		
Bonds payable	15,056	15,041
Long-term loans payable	*3 5,384	*3 1,962
Lease obligations	5,365	4,545
Deferred tax liabilities	15,373	15,505
Deferred tax liabilities for land revaluation	*5 894	*5 885
Net defined benefit liability	1,713	1,786
Asset retirement obligations	1,095	1,078
Negative goodwill	75	49
Others	1,681	987
Total noncurrent liabilities	46,639	41,841
Total liabilities	468,041	410,599
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	47,794	47,856
Retained earnings	115,938	128,123
Treasury stock	-16,278	-16,051
Total shareholders' equity	158,094	170,577
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,764	21,836
Revaluation reserve for land	*5 -4,269	*5 -4,287
Total accumulated other comprehensive income	16,495	17,548
Subscription rights to shares	67	145
Total net assets	174,656	188,271
Total liabilities and net assets	642,698	598,871

(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, 2015 to March 31, 2016)	This fiscal year (From April 1, 2016 to March 31, 2017)
Net sales	1,308,474	1,231,046
Cost of sales	1,182,429	1,121,182
Gross profit	126,045	109,182
Provision for sales returns	116	-129
Gross profit-net	125,928	109,993
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	45,260	44,978
Provision for bonuses	3,471	3,471
Provision for directors' bonuses	76	75
Retirement benefit expenses	232	249
Welfare expenses	7,772	7,882
Vehicle expenses	1,214	1,097
Provision of allowance for doubtful accounts	795	69
Depreciation	4,721	4,483
Amortization of goodwill	2,574	2,188
Rent expenses	6,948	6,993
Taxes and dues	1,514	1,733
Expense before deduction of the temporary consumption tax payment	5,431	5,218
Others	17,296	17,307
Total selling, general and administrative expenses	97,309	95,749
Operating income	28,618	14,244
Non-operating income		
Interest income	85	75
Dividends income	1,157	1,192
Commission fee	3,163	3,058
Real estate rent	1,263	1,198
Amortization of negative goodwill	26	26
Equity in earnings of affiliates	58	48
Others	945	786
Total non-operating income	6,699	6,386
Non-operating expenses		
Interest expenses	199	91
Commitment fee	41	48
Expenses of real estate rent	472	523
Others	111	123
Total non-operating expenses	825	786
Ordinary income	34,493	19,844

(Unit: million yen)

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	This fiscal year (From April 1, 2016 to March 31, 2017)
Extraordinary income		
Gain on sales of noncurrent assets	*1 933	*1 2,096
Gain on sales of investment securities	1,956	1,025
Others	36	22
Total extraordinary income	2,926	3,143
Extraordinary losses		
Loss on disposal of noncurrent assets	*2 312	*2 156
Impairment loss	*3 420	*3 568
Loss on valuation of investment securities	1,278	—
Loss on valuation of stocks of subsidiaries and affiliates	281	275
Others	12	115
Total extraordinary losses	2,305	1,116
Income before income taxes	35,114	21,871
Income taxes-current	13,436	7,415
Income taxes-deferred	-93	230
Total income taxes	13,343	7,645
Net income	21,771	14,225
Profit Attributable to Owners of Parent	21,771	14,225

Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	This fiscal year (From April 1, 2016 to March 31, 2017)
Net income	21,771	21,225
Other comprehensive income		
Valuation difference on available-for-sale securities	486	1,075
Revaluation reserve for land	45	—
Share of other comprehensive income of associates accounted for using equity method	-28	-4
Total other comprehensive income	*1 503	*1 1,071
Comprehensive income	22,275	15,296
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	22,275	15,296
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Shareholders' Equity
 Previous 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
Changes of items during the period					
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
Increase by share exchanges		—		—	—
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
Changes of items during the period					
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
Increase by share exchanges					—
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

This fiscal year (From April 1, 2016 to March 31, 2017)

(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	47,794	115,938	-16,287	158,094
Changes of items during the period					
Purchase of shares of consolidated subsidiaries		—			—
Dividends from surplus			-2,058		-2,058
Profit attributable to owners of parent			14,225		14,225
Purchase of treasury stock				-1	-1
Increase by share exchanges		62		237	300
Reversal of revaluation reserve for land			18		18
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	-62	12,184	235	12,483
Balance at the end of current period	10,649	47,856	128,123	-16,051	170,577

	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	20,764	-4,269	16,495	67	174,656
Changes of items during the period					
Purchase of shares of consolidated subsidiaries					—
Dividends from surplus					-2,058
Profit attributable to owners of parent					14,225
Purchase of treasury stock					-1
Increase by share exchanges					300
Reversal of revaluation reserve for land					18
Net changes of items other than shareholders' equity	1,071	-18	1,053	78	1,132
Total changes of items during the period	1,071	-18	1,053	78	13,615
Balance at the end of current period	21,836	-4,287	17,548	145	188,271

(4) Consolidated Statements of Cash Flows

(Unit: million yen)

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	This fiscal year (From April 1, 2016 to March 31, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes	35,114	21,871
Depreciation	4,721	4,483
Impairment loss	420	568
Amortization of goodwill	2,574	2,188
Amortization of negative goodwill	-26	-26
Increase (decrease) in net defined benefit liability	76	72
Increase (decrease) in provision for sales returns	116	-129
Increase (decrease) in provision for bonuses	-67	16
Increase (decrease) in provision for directors' bonuses	-1	-0
Increase (decrease) in allowance for doubtful accounts	777	-54
Increase (decrease) in provision for loss on dissolution of employees' pension fund	—	-170
Interest and dividends income	-1,242	-1,267
Interest expense	199	91
Loss (gain) on sales and retirement of noncurrent assets	-620	-1,939
Loss (gain) on sales and valuation of investment securities	-677	-1,025
Decrease (increase) in notes and accounts receivable-trade	-52,214	-47,053
Decrease (increase) in inventories	-1,999	-1,653
Decrease (increase) in other assets	-2,455	227
Increase (decrease) in notes and accounts payable-trade	29,659	-41,302
Increase (decrease) in other liabilities	98	-80
Increase (decrease) in accrued consumption taxes	-2,286	-1,002
Others	-4,243	-3,615
Subtotal	7,920	27,612
Interest and dividends income received	1,231	1,257
Interest expenses paid	-325	-193
Income taxes paid	-10,691	-17,122
Others	4,246	4,507
Net cash provided by (used in) operating activities	2,381	16,062

(Unit: million yen)

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	This fiscal year (From April 1, 2016 to March 31, 2017)
Net cash provided by (used in) investment activities		
Payments into time deposits	-1,028	-1,013
Proceeds from withdrawal of time deposits	1,310	1,049
Purchase of property, plant and equipment	-5,923	-7,159
Proceeds from sales of property, plant and equipment	2,429	4,195
Purchase of intangible assets	-587	-1,402
Proceeds from sales of intangible assets	2	34
Purchase of investment securities	-2,532	-459
Proceeds from sales and redemption of investment securities	3,376	2,398
Purchase of stocks of subsidiaries and affiliates	-1,708	-2,499
Expenditures for the performance of asset retirement obligations	-50	-16
Payments of loans receivable	-471	-1,364
Collection of loans receivable	197	400
Other	44	-456
Net cash provided by (used in) investment activities	-4,942	-6,294
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	1,359	1,507
Proceeds from long-term loans payable	1,170	217
Repayment of long-term loans payable	-5,729	-4,698
Purchase of treasury stock	-3,263	-1
Repayments of finance lease obligations	-1,915	-1,851
Cash dividends paid	-1,734	-2,058
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	-10,134	-9,900
Net increase (decrease) in cash and cash equivalents	-12,696	-132
Cash and cash equivalents at beginning of period	40,550	27,854
Cash and cash equivalents at end of period	*1 27,854	*1 27,721

(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 of 2. “State of Corporate Group.”

(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 facilities attached to buildings) acquired on and after April 1, 1998 and structures and facilities attached to buildings acquired on and after April 1, 2016 are depreciated by the straight-line method.

The estimated useful lives of major asset categories are as follows:

Buildings and structures:	8 - 50 years
Vehicles and carriers:	4 - 6 years
Equipment and fixtures:	5 - 15 years

② Intangible fixed assets (Excluding lease assets)

Amortized by the straight-line method.

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

③ Lease assets

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

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

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

(3) Principles of Accounting for Significant Allowances and Reserves

① Allowance for doubtful accounts

The allowance for doubtful receivables is provided to cover possible losses in the collection of trade receivables, loans receivable, and others. The actual rate of historical bad debts is used for normal receivables. For certain receivables, including those subject to possible loss, the recoverability of individual accounts is investigated and the uncollectible amount estimated.

② Provision for bonuses

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

③ Provision for directors' bonuses

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

④ Provision for sales returns

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

⑤ Provision for loss on dissolution of employees' pension fund

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

(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 Policies)

The Company has adopted the “Practical Solution on a change in depreciation method due to Tax Reform 2016 (PITF No. 32 of June 17, 2016)” since the consolidated fiscal year under review, following the revision of the Corporation Tax Act.

Accordingly, the depreciation method of structures and facilities attached to buildings acquired on and after April 1, 2016 was changed from the declining-balance method to the straight-line method.

As a result, operating income, ordinary income and income before income taxes for the consolidated fiscal year ended March 31, 2017 increased by 31 million yen respectively.

(Additional Information)

Effective beginning the fiscal year ended March 31, 2017, the Company has adopted the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016)”.

(Notes to Consolidated Balance Sheets)

*1 Accumulated depreciation of property, plant and equipment:

	Previous fiscal year (As of March 31, 2016)	This fiscal year (As of March 31, 2017)
	48,848 million yen	47,285million yen

*2 Investments in non-consolidated subsidiaries and affiliates:

	Previous fiscal year (As of March 31, 2016)	This fiscal year (As of March 31, 2017)
Investment securities	11,871 million yen	14,662million yen

*3 Assets pledged as collateral and liabilities secured by collateral

Classified assets pledged

	Previous fiscal year (As of March 31, 2016)	This fiscal year (As of March 31, 2017)
Time deposits	295 million yen	265 million yen
Buildings	4,181 million yen	3,946 million yen
Land	7,346 million yen	7,283 million yen
Investment securities	4,414 million yen	4,155 million yen
Total	16,237 million yen	15,650 million yen

Out of buildings and land pledged in Fiscal year ended March 2016, 2,216 million yen and 2,410 million yen, respectively, as well as out of those pledged in Fiscal year ended March 2017, 2,134 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, 2016)	This fiscal year (As of March 31, 2017)
Notes and accounts payable	20,378 million yen	19,441 million yen
Long-term debt (including current portion of long-term debt due within one year)	2,929 million yen	2,232 million yen
Total	23,308 million yen	21,674 million yen

4 Liabilities guaranteed

① Bank loans guaranteed

	Previous fiscal year (As of March 31, 2016)	This fiscal year (As of March 31, 2017)
Akagi Jibiinkoka	1 million yen	Akagi Jibiinkoka — million yen

② Accounts payable guaranteed

	Previous fiscal year (As of March 31, 2016)	This fiscal year (As of March 31, 2017)
Kyoei yakuhin	75 million yen	Kyoei yakuhin 0 million yen

③ Leases guaranteed

	Previous fiscal year (As of March 31, 2016)	This fiscal year (As of March 31, 2017)
Akagi Jibiinkoka	3 million yen	Akagi Jibiinkoka — 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, 2016)	This fiscal year (As of March 31, 2017)
Difference in value of land revalued between market and revalued book value at fiscal year-end	1,789 million yen	1,793 million yen

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

	Previous fiscal year (As of March 31, 2016)	This fiscal year (As of March 31, 2017)
Lending commitments	12,000 million yen	14,500 million yen
Balance borrowed	— million yen	2,380 million yen
Total remainder	12,000 million yen	12,120 million yen

In addition, in order to raise funds for general business purposes in an effective manner, the Company had commitment line agreements with banks.

	Previous fiscal year (As of March 31, 2016)	This fiscal year (As of March 31, 2017)
Lending commitments	4,000 million yen	3,000 million yen
Balance borrowed	2,000 million yen	—
Total remainder	2,000 million yen	3,000 million yen

(Notes to Consolidated Profit and Loss Statement)

*1 Gains on sales of noncurrent assets comprising:

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	This fiscal year (From April 1, 2016 to March 31, 2017)
Gain on sale of buildings	46 million yen	1,953 million yen
Gain on sales of land	885 million yen	142 million yen
Gain on sale of furniture and fixtures	1 million yen	0 million yen
Total	933 million yen	2,096 million yen

*2 Losses on disposal of noncurrent assets comprise:

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	This fiscal year (From April 1, 2016 to March 31, 2017)
Loss on retirement of buildings	140 million yen	108 million yen
Loss on retirement of furniture and fixtures	12 million yen	26 million yen
Loss on retirement of software	79 million yen	1 million yen
Loss on sale of buildings	31 million yen	1 million yen
Loss on sale of land	48 million yen	23 million yen
Total	312 million yen	156 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, 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 HachinoheSales 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.

This fiscal year(From April 1, 2016 to March 31, 2017)

Location	Purpose	Class
Akaduchimachi Pharmacy and 12 other sites	Real estate for business use	Land, buildings and goodwill
Nihonbashikodenma-cho and 30 other sites	Real estate unused	Land, buildings and leasehold right
—	—	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 129 million yen. It comprised 10 million yen on land and 102 million yen on buildings and 16 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 78 million yen was recognized due to the decision to sell and the continuous decline in market prices. It comprised 39 million yen on land and 8 million yen on buildings and 31 million yen on leasehold right. The Group measures the recoverable amount on the basis of the scheduled net sales price.

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 noncurrent assets.

As for goodwill, all the amounts of relevant goodwill at 360 million yen was posted in extraordinary losses as an impairment loss, since it is considered unlikely to earn profits as initially projected in several consolidated subsidiaries in dispensing pharmacy business.

(Notes to Consolidated Statements of Comprehensive Income)

*1 Recycling and tax effects concerning other comprehensive income

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	This fiscal year (From April 1, 2016 to March 31, 2017)
Valuation difference on available-for-sale securities		
Amount accrued for the current term	2,025 million yen	2,402 million yen
Recycling	-1,958 million yen	-966 million yen
Before tax effect adjustment	67 million yen	1,435 million yen
Tax effects	419 million yen	-359 million yen
Valuation difference on available-for-sale securities	486 million yen	1,075 million yen
Revaluation reserve for land		
Amount accrued for the current term	—	—
Recycling	—	—
Before tax effect adjustment	—	—
Tax effects	45 million yen	—
Revaluation reserve for land	45 million yen	—
Share of other comprehensive income of associates accounted for using equity method		
Amount accrued for the current term	-28 million yen	-4 million yen
Total other comprehensive income	503 million yen	1,071 million yen

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

Previous 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

This fiscal year (From April 1, 2016 to March 31, 2017)

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)	9,657	0	140	9,518
Total	9,657	0	140	9,518

(Note) 1. The increase of 0 thousand shares in treasury common stocks represents as a result of the purchase of odd-lot shares.

2. The decrease of 140,000 shares in treasury common stocks consists of a decrease of substitute treasury stock delivered in association with stock swap with TAISYODO.

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 1,2,3)	Common stock	6,756	10	—	6,756	—
TOHO HOLDINGS	Subscription rights to shares as stock options	—	—	—	—	—	145
Total			6,756	10	—	6,756	145

(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. The increase of 10 thousand stocks of the number of subscription rights to shares was due to adjustment of the conversion value according to the provision related to adjustment of the conversion value in the corporate bond guidebook.

3. Dividends

(1) Dividend Payment

Resolution	Type of shares	Total dividend amount (million yen)	Dividend per share (yen)	Record date	Effective date
May 11, 2016 Board of directors	Common stock	1,029	15	March 31, 2016	June 9, 2016
November 9, 2016 Board of directors	Common stock	1,029	15	September 30, 2016	December 5, 2016

(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, 2017 Board of directors	Common stock	1,031	Retained earnings	15	March 31, 2017	June 9, 2017

(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, 2015 to March 31, 2016)	This fiscal year (From April 1, 2016 to March 31, 2017)
Cash on hand and on deposit	31,531 million yen	31,966 million yen
Time deposits maturing beyond three months of deposit	-4,280 million yen	-4,244 million yen
Short-term investments (investment securities) becoming due within three months of acquisition	603 million yen	— million yen
Cash and cash equivalents	27,854 million yen	27,721 million yen

2 Details of important non-monetary transactions

Previous 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.

This fiscal year (From April 1, 2016 to March 31, 2017)

The amounts of assets and liabilities related to finance leases newly accounted for in the current term were 1,044 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.

As stated in the above-mentioned "Changes in Accounting Policies", following the revision of the Corporation Tax Act, the Company changed the depreciation method of structures and facilities attached to buildings acquired on and after April 1, 2016 from the declining-balance method to the straight-line method. Accordingly, the business segments also changed the depreciation method in the same way.

As a result of this change, the segment income for the pharmaceutical wholesaling business in the period under review increased 12 million yen compared with the previous fiscal year and the segment income for the dispensing pharmacy business increased 10 million yen.

3. Information about sales, profit or loss, asset and other items by reportable segment

Previous 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 profit and corporate expenses not attributable to any reportable segment.

(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).

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, 2016 to March 31, 2017)

	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	1,133,939	95,457	322	1,327	1,231,046	—	1,231,046
(2) Inter-segment internal net sales or transfers	46,700	350	—	285	47,338	-47,338	—
Total	1,180,640	95,807	322	1,614	1,278,384	-47,338	1,231,046
Segment profit	13,998	1,244	74	81	15,399	-1,154	14,244
Segment assets	480,592	44,858	817	2,009	528,277	70,593	598,871
Other items							
Depreciation	2,512	979	6	27	3,525	957	4,483
Amortization of goodwill	116	2,072	—	—	2,188	—	2,188
Amortization of negative goodwill	—	26	—	—	26	—	26
Impairment loss	87	481	—	—	568	—	568
Investment in equity-method affiliate	1,407	—	—	—	1,407	—	1,407
Unamortized balance of goodwill	116	4,183	—	—	4,300	—	4,300
Unamortized balance of negative goodwill	—	49	—	—	49	—	49
Increase in property, plant and equipment and intangible assets	8,030	958	24	310	9,322	3	9,326

(Note) 1. Adjustments reflect the following items.

- (1) The amount of the adjustments for segment profits shows the elimination of internal transactions and unrealized profit and corporate expenses not attributable to any reportable segment.
- (2) The amount of the adjustments for segment assets includes 87,276 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 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, 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.

This fiscal year (from April 1, 2016 to March 31, 2017)

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, 2015 to March 31, 2016)

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

This fiscal year (from April 1, 2016 to March 31, 2017)

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, 2015 to March 31, 2016)

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

This fiscal year (from April 1, 2016 to March 31, 2017)

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, 2015 to March 31, 2016)

Not applicable.

This fiscal year (from April 1, 2016 to March 31, 2017)

Not applicable.

(Information per Share)

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	This fiscal year (From April 1, 2016 to March 31, 2017)
Net asset per share	2,544.58 yen	2,736.30 yen
Net income per share	316.51 yen	207.12 yen
Net income per share after adjustments on potential shares	287.93 yen	188.22 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, 2015 to March 31, 2016)	This fiscal year (From April 1, 2016 to March 31, 2017)
Net income per share		
Profit attributable to owners of parent (million yen)	21,771	14,225
Amount not related to shareholders of common stock (million yen)	—	—
Profit attributable to owners of parent from common stock (million yen)	21,771	14,225
Average number of shares of outstanding common stock during fiscal year	68,785,353	68,681,975
Net income per share after adjustments on potential shares		
Adjustment for profit attributable to owners of parent (million yen)	-10	-10
Of which, interest income (after deducting the portion equivalent to tax)(million yen)	(-10)	(-10)
Increase in number of shares of common stock (Including subscription rights to shares)	6,793,266 (36,510)	6,840,534 (72,803)
(Including bonds with subscription rights to shares)	(6,756,756)	(6,767,731)
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 (As of March 31, 2016)	This fiscal year (As of March 31, 2017)
Total net asset on consolidated balance sheet (million yen)	174,656	188,271
Amounts to be deducted from total net assets (million yen)	67	145
(Subscription rights to shares) (million yen)	(67)	(145)
Net assets concerning common stocks at the end of the term (million yen)	174,589	188,126
Number of shares of common stock used in calculating net asset per share	68,612,338	68,752,073

(Significant Subsequent Events)

Not applicable.

6. Non-consolidated Financial Statements

(1) Balance Sheets

(Unit: million yen)

	Previous fiscal year (As of March 31, 2016)	This fiscal year (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	12,273	18,203
Prepaid expenses	103	66
Deferred tax assets	86	95
Other accounts receivable	1,240	3,310
Short-term loans receivable	11,438	8,856
Others	63	60
Total current assets	25,205	30,592
Noncurrent assets		
Property, plant and equipment		
Buildings, net	15,081	14,559
Structures, net	562	503
Tools, furniture and fixtures, net	67	99
Land	20,316	20,636
Lease assets, net	298	745
Construction in progress	13	1,798
Total property, plant and equipment	36,338	38,343
Intangible assets		
Leasehold right	75	12
Software	30	574
Others	190	49
Total intangible assets	296	635
Investments and other assets		
Investment securities	53,823	54,317
Stocks of subsidiaries and affiliates	30,155	31,850
Investments in capital of subsidiaries and affiliates	276	612
Long-term loans receivable	34	866
Long-term loans receivable from subsidiaries and affiliates	6,495	6,230
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,836	1,130
Long-term prepaid expenses	12	5
Others	974	1,104
Allowance for doubtful accounts	-2,055	-2,113
Total investments and other assets	91,553	94,002
Total noncurrent assets	128,188	132,980
Total assets	153,394	163,573

(Unit: million yen)

	Previous fiscal year (As of March 31, 2016)	This fiscal year (As of March 31, 2017)
Liabilities		
Current liabilities		
Short-term loans payable	2,000	—
Current portion of long-term loans payable	2,140	1,160
Lease obligations	68	185
Accounts payable-other	468	346
Accrued expenses	33	57
Income taxes payable	318	254
Accrued consumption taxes	5	—
Deposits received	4,411	4,182
Provision for bonuses	51	67
Provision for directors' bonuses	45	45
Total current liabilities	9,543	6,300
Noncurrent liabilities		
Bonds payable	15,056	15,041
Long-term loans payable	1,560	400
Lease obligations	251	621
Deferred tax liabilities	13,465	13,634
Deferred tax liabilities for land revaluation	894	885
Provision for retirement benefits	4	13
Provision for loss on guarantees	37	732
Asset retirement obligations	308	281
Others	193	193
Total noncurrent liabilities	31,771	31,803
Total liabilities	41,314	38,103
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus		
Legal capital surplus	46,177	46,177
Other capital surplus	2,461	2,523
Total Capital surplus	48,638	48,700
Retained earnings		
Legal retained earnings	664	664
Other retained earnings		
Reserve for reduction entry of land	1,672	1,599
General reserve	6,336	6,336
Retained earnings brought forward	38,044	50,434
Total retained earnings	46,716	59,034
Treasury stock	-16,327	-16,091
Total shareholders' equity	89,677	102,293
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	26,582	27,295
Revaluation reserve for land	-4,246	-4,264
Total valuation and translation adjustments	22,335	23,030
Subscription rights to shares	67	145
Total net assets	112,079	125,469
Total liabilities and net assets	153,394	163,573

(2) Profit and Loss Statement

(Unit: million yen)

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	This fiscal year (From April 1, 2016 to March 31, 2017)
Operating revenue		
Income of management guidance	1,109	1,255
Income of real estate rent	2,158	2,127
Dividends income	6,141	14,507
Total Operating revenue	9,409	17,890
Operating expenses		
Real estate related expenses	1,515	1,419
General and administrative expenses		
Directors' compensations, salaries and allowances	1,074	1,282
Provision for bonuses	51	67
Provision for directors' bonuses	45	45
Provision for retirement benefits	0	9
Welfare expenses	128	145
Vehicle expenses	1	0
Provision of allowance for doubtful accounts	641	58
Depreciation	124	125
Rent expenses	166	194
Taxes and dues	215	290
Others	1,216	948
Total operating expenses	5,182	4,588
Operating income	4,226	13,301
Non-operating income		
Interest income	317	258
Dividend income	1,094	1,129
Commission fee	93	94
Real estate rent	4	8
Others	120	174
Total non-operating income	1,630	1,664
Non-operating expenses		
Interest expenses	108	82
Commitment fee	5	12
Provision for loss on guarantees	37	695
Miscellaneous loss	59	2
Total non-operating expenses	173	792
Ordinary income	5,683	14,173

(Unit: million yen)

	Previous fiscal year (From April 1, 2015 to March 31, 2016)	This fiscal year (From April 1, 2016 to March 31, 2017)
Extraordinary income		
Gain on sales of noncurrent assets	903	18
Gains on sales of investment securities	2,246	1,453
Total extraordinary income	3,149	1,471
Extraordinary loss		
Loss on disposal of noncurrent assets	73	43
Impairment loss	100	42
Loss on valuation of investment securities	1,278	—
Loss on valuation of stocks of subsidiaries and affiliates	281	737
Others	0	1
Total extraordinary loss	1,734	825
Income before income taxes	7,098	14,820
Income taxes-current	707	508
Income taxes-deferred	338	-46
Total income taxes and other	1,045	461
Net income	6,053	14,358

(3) Consolidated Statement of Changes in Shareholders' Equity

Previous 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
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				
Increase by share exchanges			—	—
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
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
Increase by share exchanges						—	—
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

	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
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
Increase by share exchanges					—
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

This fiscal year(From April 1, 2016 to March 31, 2017)

(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
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				
Increase by share exchanges			62	62
Reversal of revaluation reserve for land				
Net changes of items other than shareholders' equity				
Total changes of items during the period	—	—	62	62
Balance at the end of current period	10,649	46,177	2,523	48,700

	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	1,672	6,336	38,044	46,716	-16,327	89,677
Changes of items during the period							
Dividends from surplus				-2,058	-2,058		-2,058
Net income				14,358	14,358		14,358
Provision of reserve for reduction entry of land		—		—	—		—
Reversal of reserve for reduction entry of land		-72		72	—		—
Increase in reserve owing to tax rate change		—		—	—		—
Purchase of treasury stock						-1	-1
Increase by share exchanges						237	300
Reversal of revaluation reserve for land				18	18		18
Net changes of items other than shareholders' equity							
Total changes of items during the period	—	-72	—	12,390	12,318	235	12,616
Balance at the end of current period	664	1,599	6,336	50,434	59,034	-16,091	102,293

(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	26,582	-4,246	22,335	67	112,079
Changes of items during the period					
Dividends from surplus					-2,058
Net income					14,358
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					-1
Increase by share exchanges					300
Reversal of revaluation reserve for land					18
Net changes of items other than shareholders' equity	712	-18	694	78	773
Total changes of items during the period	712	-18	694	78	13,389
Balance at the end of current period	27,295	-4,264	23,030	145	125,469