

Summary of Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2017

February 1, 2017

Name of Listed Company: TOHO HOLDINGS CO., LTD. Listed: Tokyo Stock Exchange
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Scheduled Submission Date for Quarterly Report: February 14, 2017 Planned Date of Dividends Payment: —
 Quarterly Supplemental Explanatory Material Prepared: None
 Quarterly Results Briefing Held: None

(Amounts are truncated to the nearest million yen.)

1. Consolidated Results of Operations during the Third Quarter of Fiscal Year ending March 31, 2017 (from April 1, 2016 to December 31, 2016)

(1) Consolidated Results of Operations (Cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine Months ended December 2016	939,238	-3.2	11,298	-21.2	15,740	-16.3	10,140	-1.8
Nine Months ended December 2015	970,279	10.5	14,336	81.5	18,798	51.9	10,330	-6.1

(Note) Comprehensive income: Nine Months ended December 2016: 12,042 million yen (-17.2%); Nine Months ended December 2015: 14,546 million yen (20.8%)

	Current Net Income per Share		Current Net Income per Share - Diluted	
	Yen		Yen	
Nine Months ended December 2016	147.69		134.26	
Nine Months ended December 2015	150.06		136.49	

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	Million yen	Million yen	%
Nine Months ended December 2016	657,686	184,948	28.1
Fiscal Year ended March 2016	642,698	174,656	27.2

(Reference) Shareholder's equity: Nine Months ended December 2016: 184,871 million yen; Fiscal Year ended March 2016: 174,589 million yen

2. Historical Payment of Dividends

	Annual Cash Dividend per Share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen				
Fiscal Year ended March 2016	—	13.00	—	15.00	28.00
Fiscal Year ending March 2017	—	15.00	—		
Fiscal Year ending March 2017 (Projected)				15.00	30.00

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

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

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

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,235,000	-5.6	13,500	-52.8	18,900	-45.2	12,400	-43.0	180.36

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

※ Notes

- (1) Changes in material subsidiaries during the third quarter ended December 2016: N.A.
 (Changes in special subsidiaries accompanying a change in the scope of consolidation)
 Inclusion — (Company name:) Exclusion —(Company name:)
- (2) Application of accounting process which is peculiar to the compilation of consolidated quarterly financial statements: N.A.
- (3) Changes in accounting policies and changes in accounting estimates, and correction and restatement
 (i) Changes in accounting policies with revisions in the accounting standards, etc.: Applicable
 (ii) Changes in accounting policies other than those under the item (i): N.A.
 (iii) Changes in the accounting estimates: N.A.
 (iv) Correction and Restatement: N.A

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

(4) Number of shares outstanding (Common stock)

- (i) Number of shares outstanding at end of fiscal year (Including common stock for treasury)
- (ii) Number of treasury stocks at end of fiscal year
- (iii) The average number of shares during the third quarter

Third Quarter ended December 2016	78,270,142	Fiscal Year ended March 2016	78,270,142
Third Quarter ended December 2016	9,517,948	Fiscal Year ended March 2016	9,657,804
Third Quarter ended December 2016	68,659,011	Third Quarter ended December 2015	68,842,580

* Indicates quarterly review procedure implementation status

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

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

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

Please refer to Qualitative Information on Projected Consolidated Results of Operations on page 3 of this report (the Attached Document) for the suppositions on which the performance projections are based and points that have to be borne in mind for the use of such projections.

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1. Qualitative Information on Financial Results for the Third Quarter ended December 2016

(1) Explanation of Management Results

During the third quarter under review, while measures to curtail medical expenses were being promoted as seen in the 7.8% reduction in the NHI drug prices including exceptions to repricing measures for market expansion in April 2016, and as seen in the revision of the medical service fee system for promoting further use of generic drugs, TOHO HOLDINGS, as a corporate group engaged in areas for medical care, healthcare, and nursing care, promoted shifting to a business model that focuses on value-added services by continuing to provide customer support systems and services and to contribute to the establishment of a community comprehensive healthcare system.

“KYOSOMIRAI PHARMA CO., LTD.” (hereinafter “KYOSOMIRAI PHARMA”), which was established on November 1, 2016, got off to a good start by releasing two ingredients three products listed on the NHI drug prices as a supplement in December.

KYOSOMIRAI PHARMA aims to establish a business scheme of integrated manufacture and sales which accurately responds to customers’ demands and to stably and effectively provide prescription pharmaceuticals centered on high quality and high value added generic drugs.

The Company’s consolidated operating results for the cumulative nine months ended December 31, 2016 recorded 939,238 million yen for net sales (a decrease of 3.2% on a year-on-year basis), 11,298 million yen for operating income (a decrease of 21.2% on a year-on-year basis), 15,740 million yen for ordinary income (a decrease of 16.3% on a year-on-year basis), and 10,140 million yen for net income attributable to the shareholders of the parent company (a decrease of 1.8% on a year-on-year basis).

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

In the pharmaceutical wholesaling business, despite sales of achievement of new drugs such as cancer drugs, some factors include impacts caused by NHI drug price revisions, an expansion of generic drugs, and a shrink of the market for the curative drugs for hepatitis C which had grown rapidly since the second quarter of the previous fiscal year. Under these circumstances, TOHO HOLDINGS has strived to increase the numbers of contracts for our own customer support systems as well as continuously to suppress costs.

As a result, the pharmaceutical wholesaling business posted net sales of 902,382 million yen (a decrease of 3.2% on a year-on-year basis) and segment income (operating income) of 11,067 million yen (a decrease of 12.9% on a year-on-year basis).

The dispensing pharmacy business was affected by NHI drug price revisions and dispensary fee revisions in April 2016. In spite of implementing the cost reduction measures by standardizing store operations and aggregating operations back to the head office, late productivity improvement resulted in an increase of selling, general and administrative expenses.

As a result, the dispensing pharmacy business posted net sales of 71,748 million yen (a decrease of 2.4% on a year-on-year basis) and segment income (operating income) of 802 million yen (a decrease of 57.9% on a year-on-year basis).

In the SMO operations, net sales amounted to 279 million yen (a decrease of 30.5% on a year-on-year basis) and segment income (operating income) was 92 million yen (a decrease of 58.3% on a year-on-year basis).

In the information equipment sales operations, net sales totaled 1,130 million yen (an increase of 26.8% on a year-on-year basis), with a segment income (operating income) of 12 million yen.

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

(2) Explanation of Financial Position

(Assets)

Current assets increased 2.4% from the end of the previous consolidated fiscal year to 485,894 million yen with an increase in cash and deposits of 32,426 million yen, and a decrease in notes and accounts receivable-trade of 27,310 million yen.

Noncurrent assets increased 2.3% from the end of the previous consolidated fiscal year to 171,791 million yen with an increase in investment securities of 5,282 million yen, and a decrease in goodwill of 1,504 million yen.

As a result, consolidated net assets increased 2.3% from the end of the previous consolidated fiscal year to 657,686 million yen.

(Liabilities)

Current liabilities increased 1.6% from the end of the previous consolidated fiscal year to 428,152 million yen with an increase in notes and accounts payable-trade of 20,223 million yen, and a decrease in income taxes payable of 9,741 million yen.

Noncurrent liabilities decreased 4.4% from the end of the previous consolidated fiscal year to 44,585 million yen with a decrease in long-term loans payable of 1,471 million yen.

As a result, total liabilities increased 1.0% from the end of the previous consolidated fiscal year to 472,737 million yen.

(Net assets)

Total net assets increased 5.9% from the end of the previous consolidated fiscal year to 184,948 million yen with an increase in retained earnings of 8,084 million yen, and an increase in valuation difference on available-for-sale securities of 1,902 million yen.

(3) Explanation of Projections of Consolidated Operating Results for Fiscal Year ending March 2017

There are no changes in the projected consolidated results of operations for the full-term of fiscal year published on November 9, 2016.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Material Subsidiaries during the Third Quarter ended December 2016

Not Applicable.

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

Not Applicable.

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

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)” for the consolidated first quarter period, 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 cumulative third quarter of the current fiscal year ending March 2017 increased by 17 million yen respectively.

(4) Additional Information

Effective beginning the nine-month period ended December 31, 2016, the Company has adopted the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016)”.

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

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2016)	End of this third quarter (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	31,531	63,958
Notes and accounts receivable-trade	331,248	303,937
Securities	613	-
Merchandise and finished goods	75,229	81,001
Other	36,517	37,359
Allowance for doubtfulaccounts	-425	-361
Total current assets	474,715	485,894
Noncurrent assets		
Property, plant and equipment	84,569	84,480
Intangible assets		
Goodwill	6,722	5,217
Other	2,773	2,893
Total intangible assets	9,495	8,111
Investments and other assets		
Investment securities	65,846	71,128
Other	10,617	10,649
Allowance for doubtfulaccounts	-2,546	-2,578
Total investments and other assets	73,917	79,199
Total noncurrent asset	167,983	171,791
Total assets	642,698	657,686

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2016)	End of this third quarter (As of December 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	390,349	410,572
Short-term loans payable	6,887	4,126
Income taxes payable	10,451	710
Provision for bonuses	3,489	1,688
Provision for directors' bonuses	76	56
Provision for sales returns	453	377
Provision for loss on dissolution of employees' pension fund	170	202
Asset retirement obligations	5	8
Other	9,518	10,410
Total current liabilities	421,401	428,152
Noncurrent liabilities		
Bonds payable	15,056	15,045
Long-term loans payable	5,384	3,913
Net defined benefit liabilities	1,713	1,758
Asset retirement obligations	1,095	1,074
Negative goodwill	75	55
Other	23,314	22,738
Total noncurrent liabilities	46,639	44,585
Total liabilities	468,041	472,737
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	47,794	47,856
Retained earnings	115,938	124,023
Treasury stock	-16,287	-16,051
Total shareholders' equity	158,094	166,477
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,764	22,666
Revaluation reserve for land	-4,269	-4,272
Total accumulated other comprehensive income	16,495	18,394
Subscription rights to shares	67	76
Total net assets	174,656	184,948
Total liabilities and net assets	642,698	657,686

(2) Quarterly Consolidated Profit and Loss Statement and Quarterly Consolidated Statements of Comprehensive Income
 Quarterly Consolidated Profit and Loss Statement
 [Cumulative Period for the Consolidated Third Quarter]

(Unit: million yen)

	From April 1, 2015 to December 31, 2015	From April 1, 2016 to December 31, 2016
Net sales	970,279	939,238
Cost of sales	884,033	856,149
Gross profit	86,245	83,088
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	34,936	34,758
Provision for bonuses	1,651	1,666
Provision for directors' bonuses	57	56
Retirement benefit expenses	186	179
Welfare expenses	5,813	5,881
Vehicle expenses	956	817
Provision of allowance for doubtful accounts	-39	49
Depreciation	3,494	3,317
Amortization of goodwill	1,920	1,648
Rent expenses	5,216	5,221
Taxes and dues	1,090	1,272
Expense before deduction of temporary consumption tax payment	4,066	3,996
Other	12,558	12,924
Total selling, general and administrative expenses	71,909	71,790
Operating income	14,336	11,298
Non-operating income		
Interest income	46	52
Dividend income	934	1,072
Commission fee	2,297	2,277
Amortization of negative goodwill	19	19
Equity in earnings of affiliates	47	28
Other	1,724	1,606
Total non-operating income	5,070	5,057
Non-operating expenses		
Interest expenses	154	72
Expenses of real estate rent	347	412
Other	106	130
Total non-operating expenses	608	615
Ordinary income	18,798	15,740

(Unit: million yen)

	From April 1, 2015 to December 31, 2015	From April 1, 2016 to December 31, 2016
Extraordinary income		
Gain on sales of noncurrent assets	153	153
Other	24	9
Total extraordinary income	177	162
Extraordinary loss		
Loss on disposal of noncurrent assets	285	149
Loss on valuation of investment securities	1,219	—
Impairment loss	128	54
Other	5	82
Total extraordinary loss	1,639	286
Income before income taxes	17,336	15,617
Income taxes-current	5,730	4,149
Income taxes-deferred	1,275	1,326
Total income taxes	7,006	5,476
Current net income	10,330	10,140
Profit attributable to owners of parent	10,330	10,140

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

(Unit: million yen)

	From April 1, 2015 to December 31, 2015	From April 1, 2016 to December 31, 2016
Current net income	10,330	10,140
Other comprehensive income		
Valuation difference on available-for-sale securities	4,204	1,892
Share of other comprehensive income of associates accounted for using equity method	11	9
Total other comprehensive income	4,215	1,902
Comprehensive income	14,546	12,042
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	14,546	12,042
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes of Quarterly Consolidated Financial Statements

(Notes Concerning Premise of a Going Business)

Not applicable.

(Notes concerning Material Changes in Shareholders' Equity)

Cumulative period for this consolidated third quarter (from April 1, 2016 to December 31, 2016)

Not applicable

(Segmental Information)

I Cumulative period for previous consolidated third quarter (from April 1, 2015 to December 31, 2015)

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

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note 2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales							
(1) Net sales to external customers	895,649	73,486	401	741	970,279	—	970,279
(2) Inter-segment internal net sales or transfers	36,736	19	—	149	36,906	-36,906	—
Total	932,386	73,505	401	891	1,007,185	-36,906	970,279
Segment profit	12,707	1,908	222	-113	14,724	-388	14,336

(Note) 1. The amount of the adjustments for segment profits or losses shows the elimination of internal transactions and unrealized profit.

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

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

Not applicable

II Cumulative period for this consolidated third quarter (from April 1, 2016 to December 31, 2016)

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

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note 2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales							
(1) Net sales to external customers	866,498	71,489	279	970	939,238	—	939,238
(2) Inter-segment internal net sales or transfers	35,884	259	—	160	36,303	-36,303	—
Total	902,382	71,748	279	1,130	975,541	-36,303	939,238
Segment profit	11,067	802	92	12	11,974	-676	11,298

(Note) 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 amounts for income in the reportable segments were subsequently adjusted with the amount of operating income on the quarterly consolidated profit and loss statement.

2. Matters concerning changes in reportable segments

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.

The effect of this change on the segment income for this consolidated cumulative third quarter is minor.

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

Not applicable.