

Summary of Consolidated Financial Results for the First Half of Fiscal Year Ending March 2017

November 9, 2016

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Scheduled Submission Date for Quarterly Report: Nov 14, 2016 Planned Date of Dividends Payment: Dec 5, 2016
 Quarterly Supplemental Explanatory Material Prepared: Applicable
 Quarterly Results Briefing Held: Applicable (For Institutional Investors and Analysts)

(Amounts are truncated to the nearest million yen.)

1. Consolidated Financial Results for the First Half of the Fiscal Year Ending March 2017

(from April 1, 2016 to September 30, 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	%
First Half, FY Ending March 2017	615,778	2.3	7,640	25.1	10,569	15.3	6,890	61.1
First Half, FY Ended March 2016	602,184	7.4	6,110	133.0	9,164	64.9	4,276	41.6

(Note) Comprehensive income: First Half of FY Ending March 2017: 6,093 million yen (115.3%); First Half of FY Ended March 2016: 2,829 million yen (-64.5%)

	Current Net Income per Share	Current Net Income per Share - Diluted
	Yen	Yen
First Half, FY Ending March 2017	100.42	91.29
First Half, FY Ended March 2016	62.06	56.43

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity per share
	Million yen	Million yen	%
First Half, FY Ending March 2017	597,727	179,729	30.1
FY Ended March 2016	642,698	174,656	27.2

(Reference) Shareholder's equity: First Half, FY Ending March 2017: 179,652 million yen; FY Ended March 2016: 174,589 million yen

2. Historical Payment of Dividends

	Annual Cash Dividend per Share				
	End of first quarter	End of first half	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY Ended March 2016	—	13.00	—	15.00	28.00
FY Ending March 2017	—	15.00			
FY 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) 1. Revision of consolidated projected results of operations most recently announced: Applicable

※ Notes

- (1) Changes in material subsidiaries during the first half of fiscal year ending March 2017: 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 4 of the Attached Document.

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

First Half of FY Ending March 2017	78,270,142	FY Ended March 2016	78,270,142
First Half of FY Ending March 2017	9,658,181	FY Ended March 2016	9,657,804
First Half of FY Ending March 2017	68,612,080	First Half of FY Ended March 2016	68,910,757

* Indicates quarterly review procedure implementation status

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

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

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

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1. Qualitative Information on Financial Results for the First Half of Fiscal Year Ending March 2017

(1) Explanation of Management Results

During the second 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 a community comprehensive healthcare system. Besides, TOHO HOLDINGS established “KYOSOMIRAI PHARMA CO., LTD.” on November 1, 2016, which involves in development, manufacture and sales business in addition to contracted manufacture of pharmaceuticals. Taking maximum advantage of TOHO HOLDINGS managerial resources, it 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 operating results for the consolidated cumulative second quarter of the fiscal year ending March 2017 recorded 615,778 million yen for net sales (an increase of 2.3% on a year-on-year basis), 7,640million yen for operating income (an increase of 25.1% on a year-on-year basis), 10,569 million yen for ordinary income (an increase of 15.3% on a year-on-year basis), and 6,890 million yen for profit attributable to owners of parent (an increase of 61.1% on a year-on-year basis).

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

In the pharmaceutical wholesaling business, despite impacts caused by NHI drug price reductions, an increase in the purchasing cost ratio and an expansion of generic drugs, sales of the curative drugs for hepatitis C and achievement of new drugs such as cancer drugs contributed to the results. Another factors include the expanding numbers of contracts for our own customer support systems and the suppression effects in selling, general and administrative expenses.

As a result, in the first half of the current fiscal year, the pharmaceutical wholesaling business posted net sales of 591,687 million yen (a year-on-year increase of 2.5%) and segment income (operating income) of 7,854 million yen (a year-on-year increase of 49.0%).

In the dispensing pharmacy business, due to late response to NHI drug price revisions and dispensary fee revisions in April 2016 as well as lack of productivity improvement in spite of implementing the cost reduction measures by standardizing store operations and aggregating operations back to the head office, cost increase exceeded the previous year results.

Consequently, the first half of the current fiscal year, the dispensing pharmacy business posted net sales of 47,152 million yen (a year-on-year decrease of 1.0%) and segment income (operating income) of 189 million yen (a year-on-year decrease of 79.7%).

In the SMO operations, net sales for the first half of the current fiscal year amounted to 166 million yen (a year-on-year decrease of 36.9%) and segment income (operating income) was 53 million yen (a year-on-year decrease of 63.4%).

In the information equipment sales operations, net sales for the first half of the current fiscal year totaled 611 million yen (a year-on-year decrease of 1.7%), with an operating loss of 35 million yen.

(Note) Segment sales include inter-segment transactions.

(2) Explanation of Financial Position

(Assets)

Current assets as of the end of September 2016 decreased 9.2% from the end of the previous consolidated fiscal year to 430,914 million yen, due to an increase in cash and deposits of 8,787 million yen, and a decrease in notes and accounts receivable-trade of 51,562 million yen.

Noncurrent assets as of the end of September 2016 decreased 0.7% compared with the end of the preceding consolidated fiscal year to 166,813 million yen, due mainly to an increase in investment securities of 1,142 million yen, and a decrease in property, plant and equipment of 1,097 million yen, and a decrease in goodwill of 976 million yen.

As a result, consolidated net assets decreased 7.0% from a year earlier, to 597,727 million yen.

(Liabilities)

Current liabilities decreased 11.3% from the end of the previous consolidated fiscal year to 373,650 million yen with a decrease in notes and accounts payable-trade of 36,984 million yen, and a decrease in income taxes payable of 7,364 million yen.

Noncurrent liabilities decreased 4.9% from the end of the previous consolidated fiscal year to 44,347 million yen with a decrease in long-term loans payable of 1,079 million yen.

As a result, total liabilities decreased 10.7% year-on-year to 417,998 million yen.

(Net assets)

Total net assets increased 2.9% from the end of the previous consolidated fiscal year to 179,729 million yen, with an increase in retained earnings of 5,858 million yen.

(Analysis of the Cash Flow Position)

Cash and cash equivalents (hereinafter referred to as “cash”) during this consolidated first half increased 8,373million yen from the end of the preceding consolidated fiscal year.As a result, the balance at the end of this first halfwas36,228 million yen (anincrease of 5,591 million yen on a year-on-year basis).The following describes the three categories of consolidated cash positions during this consolidated first half, as well as the factors responsible.

(Cash Flows from Operating Activities)

Cash flow from operating activities was an inflow of 17,233 million yen (anincrease of 17,301 million yen on a year-on-year basis).Although the inflow was secured by some positive factors such as the income before income taxes of 10,581 million yen, depreciation and amortization of 2,208 million yen, amortization of goodwill of 1,107 million yen, and decreasein notes and accounts receivable-trade of 51,542 million yen,these were somewhat offset by negative factorsincluding the decrease in notes and accounts payable-trade of 36,984 million yen, and income taxes paid of 11,435 million yen.

(Cash Flows from Investing Activities)

Cash flow from investing activities was an outflow of 3,595 million yen (a decrease of 550 million yen on a year-on-year basis),which is mainly attributable to purchase of property, plant and equipment of 1,167 million yen, and purchase of stocks of subsidiaries and affiliates of 2,133 million yen.

(Cash Flows from Financing Activities)

Cash flow from financing activities was an outflow of 5,264 million yen (anincrease of 1,537 million yen on a year-on-year basis), which is mainly attributable to a net decrease in short-term loans payable of 1,722 million yen, a net decrease in long-term loans payable of 1,532 million yen,repayments of finance lease obligationsof 979 million yen, and cash dividends paid of 1,029 million yen.

(3) Qualitative Information on Projected Consolidated Results of Operations

Taking into consideration results for the first half of thefiscal year ending March 2017 and earnings forecasts for the second half, TOHO HOLDINGS has revised its consolidated full-year earnings forecasts, which were announced on May 11, 2016because both sales and profit during the cumulative second quarter of the current fiscal yearfell short of the consolidated earnings forecasts for the first half of the fiscal year ending March 2017 announced on May 11, 2016. As for the details, please refer to the Notice of the Revision of the Full-year Earnings Forecasts for the Fiscal Year Ending March 2017 announced today (November9, 2016).

2. Matters Concerning Summary Information (Notes)

(1) Changes in Material Subsidiaries during the First Half of Fiscal Year Ending March 2017

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.

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

(4) Additional Information

Effective beginning the six-month period ended September 30, 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 consolidated first half (As of September 30, 2016)
Assets		
Current assets		
Cash and deposits	31,531	40,318
Notes and accounts receivable-trade	331,248	279,685
Securities	613	202
Merchandise and finished goods	75,229	75,056
Other	36,517	36,026
Allowance for doubtfulaccounts	-425	-375
Total current assets	474,715	430,914
Noncurrent assets		
Property, plant and equipment	84,569	83,472
Intangible assets		
Goodwill	6,722	5,745
Other	2,773	2,927
Total intangible assets	9,495	8,673
Investments and other assets		
Investment securities	65,846	66,989
Other	10,617	10,320
Allowance for doubtfulaccounts	-2,546	-2,642
Total investments and other assets	73,917	74,667
Total noncurrent asset	167,983	166,813
Total assets	642,698	597,727

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2016)	End of this consolidated first half (As of September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	390,349	353,364
Short-term loans payable	6,887	4,712
Income taxes payable	10,451	3,086
Provision for bonuses	3,489	3,638
Provision for directors' bonuses	76	38
Provision for sales returns	453	361
Provision for loss on dissolution of employees' pension fund	170	170
Asset retirement obligations	5	—
Other	9,518	8,279
Total current liabilities	421,401	373,650
Noncurrent liabilities		
Bonds payable	15,056	15,048
Long-term loans payable	5,384	4,305
Net defined benefit liabilities	1,713	1,763
Asset retirement obligations	1,095	1,077
Negative goodwill	75	62
Other	23,314	22,089
Total noncurrent liabilities	46,639	44,347
Total liabilities	468,041	417,998
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	47,794	47,794
Retained earnings	115,938	121,796
Treasury stock	-16,287	-16,288
Total shareholders' equity	158,094	163,951
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,764	19,968
Revaluation reserve for land	-4,269	-4,267
Total accumulated other comprehensive income	16,495	15,701
Subscription rights to shares	67	76
Total net assets	174,656	179,729
Total liabilities and net assets	642,698	597,727

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

(Million of yen)

	Cumulative period for previous consolidated first half (from April 1, 2015 to September 30, 2015)	Cumulative period for this consolidated first half (from April 1, 2016 to September 30, 2016)
Net sales	602,184	615,778
Cost of sales	548,144	560,101
Gross profit	54,039	55,677
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	20,884	20,852
Provision for bonuses	3,644	3,604
Provision for directors' bonuses	38	38
Retirement benefit expenses	129	121
Welfare expenses	3,848	3,904
Vehicle expenses	652	543
Provision of allowance for doubtful accounts	-24	61
Depreciation	2,303	2,208
Amortization of goodwill	1,277	1,107
Rent expenses	3,480	3,451
Taxes and dues	719	898
Expense before deduction of temporary consumption tax payment	2,599	2,629
Other	8,374	8,613
Total selling, general and administrative expenses	47,929	48,036
Operating income	6,110	7,640
Non-operating income		
Interest income	31	37
Dividend income	662	677
Commission fee	1,539	1,522
Amortization of negative goodwill	13	13
Equity in earnings of affiliates	22	21
Other	1,206	1,059
Total non-operating income	3,476	3,332
Non-operating expenses		
Interest expenses	106	52
Expenses of real estate rent	229	273
Other	86	77
Total non-operating expenses	421	403
Ordinary income	9,164	10,569

(Million of yen)

	Cumulative period for previous consolidated first half (from April 1, 2015 to September 30, 2015)	Cumulative period for this consolidated first half (from April 1, 2016 to September 30, 2016)
Extraordinary income		
Gain on sales of noncurrent assets	128	153
Other	23	8
Total extraordinary income	152	162
Extraordinary loss		
Loss on disposal of noncurrent assets	173	99
Loss on valuation of investment securities	1,219	—
Impairment loss	128	12
Directors' retirement benefits	—	35
Other	4	2
Total extraordinary loss	1,526	149
Income before income taxes	7,790	10,581
Income taxes-current	3,153	3,458
Income taxes-deferred	360	232
Total income taxes	3,513	3,691
Current net income	4,276	6,890
Profit attributable to owners of parent	4,276	6,890

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

(Million of yen)

	Cumulative period for previous consolidated first half (from April 1, 2015 to September 30, 2015)	Cumulative period for this consolidated first half (from April 1, 2016 to September 30, 2016)
Current net income	4,276	6,890
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,437	-791
Share of other comprehensive income of associates accounted for using equity method	-9	-5
Total other comprehensive income	-1,447	-796
Comprehensive income	2,829	6,093
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,829	6,093
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Million of yen)

	Cumulative period for previous consolidated first half (from April 1, 2015 to September 30, 2015)	Cumulative period for this consolidated first half (from April 1, 2016 to September 30, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes	7,790	10,581
Depreciation and amortization	2,303	2,208
Impairment loss	128	12
Amortization of goodwill	1,277	1,107
Amortization of negative goodwill	-13	-13
Increase (decrease) in net defined benefit liability	68	50
Increase (decrease) in provision for sales returns	17	-92
Increase (decrease) in provision for bonuses	103	149
Increase (decrease) in provision for directors' bonuses	-39	-38
Increase (decrease) in allowance for doubtful accounts	-32	46
Interest and dividend income	-694	-715
Interest expense	106	52
Loss (gain) on sales and retirement of noncurrent assets	44	-53
Loss (gain) on sales and valuation of investment securities	1,219	—
Decrease (increase) in notes and accounts receivable-trade	-9,097	51,542
Decrease (increase) in inventories	-3,053	172
Decrease (increase) in other assets	686	1,319
Increase(decrease) in notes and accounts payable-trade	9,590	-36,984
Increase (decrease) in other liabilities	-382	-602
Increase (decrease) in accrued consumption taxes	-3,340	-794
Other loss (gain)	-2,343	-2,110
Subtotal	4,341	25,839
Interest and dividends income received	692	713
Interest expenses paid	-173	-110
Income taxes paid	-6,980	-11,435
Other	2,051	2,226
Net cash provided by (used in) operating activities	-68	17,233

(Million of yen)

	Cumulative period for previous consolidated first half (from April 1, 2015 to September 30, 2015)	Cumulative period for this consolidated first half (from April 1, 2016 to September 30, 2016)
Net cash provided by (used in) investment activities		
Payments into time deposits	-649	-632
Proceeds from withdrawal of time deposits	890	630
Purchase of property, plant and equipment	-3,052	-1,167
Proceeds from sales of property, plant and equipment	508	590
Purchase of intangible assets	-256	-637
Proceeds from sales of intangible assets	2	1
Purchase of investment securities	-72	-337
Proceeds from sales and redemption of investment securities	9	499
Purchase of stocks of subsidiaries and affiliates	-236	-2,133
Payments for asset retirement obligations	-23	-11
Payments of loans receivable	-204	-429
Collection of loans receivable	87	72
Other	-47	-38
Net cash provided by (used in) investment activities	-3,044	-3,595
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	825	-1,722
Proceeds from long-term loans payable	1,170	217
Repayment of long-term loans payable	-4,153	-1,749
Purchase of treasury stock	-2,828	-0
Repayments of finance lease obligations	-973	-979
Cash dividends paid	-840	-1,029
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-0	—
Net cash provided by (used in) financing activities	-6,801	-5,264
Net increase (decrease) in cash and cash equivalents	-9,914	8,373
Cash and cash equivalents at beginning of year	40,550	27,854
Cash and cash equivalents at the end of first half	30,636	36,228

(4)Notes of Quarterly Consolidated Financial Statements

(Notes Concerning Premise of a Going Business)

Not applicable.

(Notes concerning Material Changes in Shareholders' Equity)

Cumulative period for this consolidated first half (from April 1, 2016 to September 30, 2016)

Not applicable.

(Segmental Information)

I Cumulative period for previous consolidated first half (from April 1, 2015 to September 30, 2015)

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

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales							
(1) Net sales to external customers	553,771	47,617	264	531	602,184	—	602,184
(2) Inter-segment internal net sales or transfers	23,282	13	—	90	23,386	-23,386	—
Total	577,053	47,630	264	622	625,570	-23,386	602,184
Segment profit	5,271	931	145	-57	6,289	-179	6,110

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

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

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

Not applicable.

II Cumulative period for this consolidated first half (from April 1, 2016 to September 30, 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) (Note2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales							
(1) Net sales to external customers	568,158	46,962	166	490	615,778	—	615,778
(2) Inter-segment internal net sales or transfers	23,528	190	—	120	23,839	-23,839	—
Total	591,687	47,152	166	611	639,618	-23,839	615,778
Segment profit	7,854	189	53	-35	8,061	-420	7,640

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

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

2. 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 or loss for this consolidated cumulative second quarter is minor.

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

Not applicable.