

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

August 1, 2016

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Scheduled Submission Date for Quarterly Report: August 12, 2016 Planned Date of Dividends Payment: —
 Quarterly Supplemental Explanatory Material Prepared: None
 Quarterly Results Briefing Held: None

(Amounts are truncated to the nearest million yen.)

1. Consolidated Results of Operations during the First Quarter of Fiscal Year ending March 31, 2017 (from April 1, 2016 to June 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 Quarter ended June 2016 | 314,333 | 6.5 | 3,753 | 39.6 | 5,293 | 22.8 | 3,503 | 157.8 |
| First Quarter ended June 2015 | 295,159 | 4.9 | 2,687 | -7.7 | 4,309 | -7.9 | 1,358 | -50.8 |

(Note) Comprehensive income: First Quarter ended June 2016: 4,196 million yen (147.4%); First Quarter ended June 2015: 1,696 million yen (-53.1%)

| | Current Net Income per Share | Current Net Income per Share - Diluted |
|-------------------------------|------------------------------|--|
| | Yen | Yen |
| First Quarter ended June 2016 | 51.06 | 46.42 |
| First Quarter ended June 2015 | 19.67 | 17.88 |

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Shareholder's Equity Ratio |
|-------------------------------|--------------|-------------|----------------------------|
| | Million yen | Million yen | % |
| First Quarter ended June 2016 | 633,781 | 177,832 | 28.0 |
| Fiscal Year ended March 2016 | 642,698 | 174,656 | 27.2 |

(Reference) Shareholder's equity: First Quarter ended June 2016: 177,756 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 | Yen | Yen | Yen | Yen |
| Fiscal Year ended March 2016 | — | 13.00 | — | 15.00 | 28.00 |
| Fiscal Year ending March 2017 | — | | | | |
| Fiscal Year ending March 2017 (Projected) | | 15.00 | — | 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)

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

| | Net Sales | | Operating Income | | Ordinary Income | | Profit attributable to owners of parent | | Net Income per Share |
|------------|-------------|------|------------------|-------|-----------------|-------|---|-------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| First half | 641,000 | 6.4 | 9,500 | 55.5 | 12,200 | 33.1 | 7,700 | 80.0 | 112.22 |
| Full year | 1,285,000 | -1.8 | 18,700 | -34.7 | 24,000 | -30.4 | 14,900 | -31.6 | 217.16 |

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

※ Notes

- (1) Changes in material subsidiaries during the first quarter ended June 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 first quarter

| | | | |
|-------------------------------|------------|-------------------------------|------------|
| First Quarter ended June 2016 | 78,270,142 | Fiscal Year ended March 2016 | 78,270,142 |
| First Quarter ended June 2016 | 9,658,117 | Fiscal Year ended March 2016 | 9,657,804 |
| First Quarter ended June 2016 | 68,612,155 | First Quarter ended June 2015 | 69,070,275 |

* 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 under take to achieve such results. Actual results may differ significantly from the projections above, due to a variety of factors.

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

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1. Qualitative Information on Financial Results for the First Quarter ended June 2016

(1) Explanation of Management Results

In spite of the continued promotion of measures to curtail medical expenses 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 revisions of the medical service fee system for promoting further use of generic drugs, the prescription pharmaceuticals market achieved 4.4% growth during the first quarter under review, compared to the same period of the previous year (estimated by CRECON Research & Consulting Inc.), due to a year-on-year sales expansion in the curative drugs for hepatitis C, whose market has grown rapidly since last autumn, and due to sales growth in new drugs such as cancer drugs.

As a distribution business group engaged in areas for medical care, healthcare, and nursing care, in order to respond quickly to rapidly changing environments in the future, promoted shifting to a business model that focuses on the provision of value-added services, whose value of existence will be demonstrated across a wide range of areas, by continuing to develop and propose various customer support systems and services for solving the problems of patients and medical institutions and to contribute to the building of a community comprehensive healthcare system. In addition to striving to secure appropriate profits through price negotiations ensuring one price for one product based on price systems in accordance with the value of each product, the Company enhanced its functions of distribution centers and call centers, and also strived to reduce all operation costs from order receipt to delivery, to streamline operations by further promoting “the integrated reform in sales and distribution”, and to reduce costs through the promotion of hiring the needed personnel, including those in indirect departments.

As a result, the Company’s operating results for the consolidated cumulative first quarter of the fiscal year ending March 2017 recorded 314,333 million yen for net sales (an increase of 6.5% on a year-on-year basis), 3,753 million yen for operating income (an increase of 39.6% on a year-on-year basis), 5,293 million yen for ordinary income (an increase of 22.8% on a year-on-year basis), and 3,503 million yen for net income attributable to the shareholders of the parent company (an increase of 157.8% on a year-on-year basis).

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

In the pharmaceutical wholesaling business, sales of the curative drugs for hepatitis C, whose market has grown rapidly since the second quarter of the previous fiscal year, expanded on a year-on-year basis, and sales of new drugs such as cancer drugs grew, albeit with a negative impact caused by NHI drug price revisions. In addition, the expanding numbers of contracts for our own customer support systems, especially for the medication history preparation support system with automatic speech recognition “ENIFvoice SP”, “the first medical examination reception service”, and “Pharmacist web-Learning” supporting “your” pharmacists’ learning, have contributed to business performance, and the reductions in selling and administrative expenses have also had an effect.

As a result, in the first quarter of the current fiscal year, the pharmaceutical wholesaling business posted net sales of 302,859 million yen (an increase of 7.1% on a year-on-year basis) and operating income of 4,043 million yen (an increase of 79.8% on a year-on-year basis).

In the dispensing pharmacy business, the Company has strived to enhance the functions of each store in response to the dispensary fee revisions, to be involved in store management aimed at making local pharmacies closely attached to local healthcare around the concept of establishing “Health Support Pharmacy”, and to address the cost reduction measures by standardizing store operations and by aggregating operations back to the head office, albeit with the effects of NHI drug price revisions and dispensary fee revisions in April 2016.

As a result, in the first quarter of the current fiscal year, the dispensing pharmacy business posted net sales of 23,499 million yen (a decrease of 0.7% on a year-on-year basis) and operating loss of 118 million yen (compared to the operating income of 446 million yen in the same period of the previous fiscal year).

In the SMO operations, net sales for the first quarter ended June 2016 amounted to 92 million yen (a decrease of 26.6% on a year-on-year basis) and operating income was 34 million yen (a decrease of 50.1% on a year-on-year basis).

In the information equipment sales operations, net sales for the first quarter ended June 2016 totaled 212 million yen (a decrease of 9.1% on a year-on-year basis), with an operating loss of 69 million yen.

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

(2) Explanation of Financial Position

(Assets)

Current assets decreased 1.9% from the end of the previous consolidated fiscal year to 465,767 million yen with an increase in cash and deposits of 17,755 million yen, and a decrease in notes and accounts receivable-trade of 30,284 million yen.

Noncurrent assets stood at 168,014 million yen, the same as those the end of the previous year, due primarily to an increase in investment securities of 1,104 million yen, a decrease in property, plant and equipment of 456 million yen and a decrease in goodwill of 462 million yen.

As a result, consolidated net assets decreased 1.4% from the end of the previous consolidated fiscal year, to 633,781 million yen.

(Liabilities)

Current liabilities decreased 2.7% from the end of the previous consolidated fiscal year to 409,853 million yen with an increase in notes and accounts payable-trade of 5,910 million yen, and a decrease in income taxes payable of 8,508 million yen.

Noncurrent liabilities decreased 1.2% from the end of the previous consolidated fiscal year, to 46,095 million yen with a decrease in long-term loans payable of 529 million yen.

As a result, total liabilities decreased 2.6% from the end of the previous consolidated fiscal year, to 455,948 million yen.

(Net assets)

Total net assets increased 1.8% from the end of the previous consolidated fiscal year to 177,832 million yen. This is partly due to an increase in treasury stocks of 2,474 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 cumulative second quarter of the fiscal year ending March 2017 and the full-term of the fiscal year published on May 11, 2016.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Material Subsidiaries during the First Quarter ended June 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 this 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 first quarter is minor.

(4) Additional Information

Effective beginning the three-month period ended June 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 quarter (As of June 30, 2016) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 31,531 | 49,287 |
| Notes and accounts receivable-trade | 331,248 | 300,964 |
| Short-term investment securities | 613 | 513 |
| Merchandise and finished goods | 75,229 | 76,950 |
| Other | 36,517 | 38,449 |
| Allowance for doubtful accounts | -425 | -397 |
| Total current assets | 474,715 | 465,767 |
| Noncurrent assets | | |
| Property, plant and equipment | 84,569 | 84,113 |
| Intangible assets | | |
| Goodwill | 6,722 | 6,259 |
| Other | 2,773 | 2,729 |
| Total intangible assets | 9,495 | 8,989 |
| Investments and other assets | | |
| Investment securities | 65,846 | 66,951 |
| Other | 10,617 | 10,521 |
| Allowance for doubtful accounts | -2,546 | -2,561 |
| Total investments and other assets | 73,917 | 74,911 |
| Total noncurrent asset | 167,983 | 168,014 |
| Total assets | 642,698 | 633,781 |

(Unit: million yen)

| | Previous consolidated fiscal year (As of March 31, 2016) | End of this consolidated first quarter (As of June 30, 2016) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 390,349 | 384,438 |
| Short-term loans payable | 6,887 | 6,669 |
| Income taxes payable | 10,451 | 1,943 |
| Provision for bonuses | 3,489 | 5,280 |
| Provision for directors' bonuses | 76 | 29 |
| Provision for sales returns | 453 | 382 |
| Provision for loss on dissolution of employees' pension fund | 170 | 170 |
| Asset retirement obligations | 5 | - |
| Other | 9,518 | 10,939 |
| Total current liabilities | 421,401 | 409,853 |
| Noncurrent liabilities | | |
| Bonds payable | 15,056 | 15,052 |
| Long-term loans payable | 5,384 | 4,855 |
| Provision for retirement benefits | 1,713 | 1,746 |
| Asset retirement obligations | 1,095 | 1,104 |
| Negative goodwill | 75 | 69 |
| Other | 23,314 | 23,267 |
| Total noncurrent liabilities | 46,639 | 46,095 |
| Total liabilities | 468,041 | 455,948 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 10,649 | 10,649 |
| Capital surplus | 47,794 | 47,794 |
| Retained earnings | 115,938 | 118,412 |
| Treasury stock | -16,287 | -16,288 |
| Total shareholders' equity | 158,094 | 160,567 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 20,764 | 21,457 |
| Revaluation reserve for land | -4,269 | -4,269 |
| Total accumulated other comprehensive income | 16,495 | 17,188 |
| Subscription rights to shares | 67 | 76 |
| Total net assets | 174,656 | 177,832 |
| Total liabilities and net assets | 642,698 | 633,781 |

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

(Unit: million yen)

| | Cumulative period for previous consolidated first quarter (from April 1, 2015 to June 30, 2015) | Cumulative period for this consolidated first quarter (from April 1, 2016 to June 30, 2016) |
|--|---|---|
| Net sales | 295,159 | 314,333 |
| Cost of sales | 268,655 | 286,568 |
| Gross profit | 26,504 | 27,765 |
| Selling, general and administrative expenses | | |
| Directors' compensations, salaries and allowances | 10,437 | 10,398 |
| Provision for bonuses | 1,741 | 1,843 |
| Provision for directors' bonuses | 19 | 19 |
| Retirement benefit expenses | 57 | 57 |
| Welfare expenses | 1,919 | 1,953 |
| Vehicle expenses | 314 | 263 |
| Provision of allowance for doubtful accounts | -25 | -8 |
| Depreciation | 1,140 | 1,102 |
| Amortization of goodwill | 638 | 551 |
| Rent expenses | 1,740 | 1,724 |
| Taxes and dues | 386 | 465 |
| Expense before deduction of temporary consumption tax payment | 1,312 | 1,364 |
| Other | 4,133 | 4,275 |
| Total selling, general and administrative expenses | 23,816 | 24,011 |
| Operating income | 2,687 | 3,753 |
| Non-operating income | | |
| Interest income | 10 | 12 |
| Dividend income | 409 | 438 |
| Commission fee | 721 | 739 |
| Amortization of negative goodwill | 6 | 6 |
| Equity in earnings of affiliates | 1 | 1 |
| Other | 695 | 542 |
| Total non-operating income | 1,845 | 1,740 |
| Non-operating expenses | | |
| Interest expenses | 56 | 24 |
| Expenses of real estate rent | 115 | 136 |
| Other | 52 | 40 |
| Total non-operating expenses | 224 | 201 |
| Ordinary income | 4,309 | 5,293 |

(Unit: million yen)

| | Cumulative period for previous consolidated first quarter (from April 1, 2015 to June 30, 2015) | Cumulative period for this consolidated first quarter (from April 1, 2016 to June 30, 2016) |
|--|---|---|
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 73 | 135 |
| Other | 0 | 7 |
| Total extraordinary income | 73 | 143 |
| Extraordinary loss | | |
| Loss on disposal of noncurrent assets | 10 | 19 |
| Loss on valuation of investment securities | 1,219 | - |
| Impairment loss | 79 | - |
| Other | 3 | - |
| Total extraordinary loss | 1,312 | 19 |
| Income before income taxes | 3,069 | 5,417 |
| Income taxes-current | 1,758 | 2,399 |
| Income taxes-deferred | -47 | -485 |
| Total income taxes | 1,711 | 1,913 |
| Current net income | 1,358 | 3,503 |
| Profit attributable to owners of parent | 1,358 | 3,503 |

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

(Unit: million yen)

| | Cumulative period for previous consolidated first quarter (from April 1, 2015 to June 30, 2015) | Cumulative period for this consolidated first quarter (from April 1, 2016 to June 30, 2016) |
|--|---|---|
| Current net income | 1,358 | 3,503 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 351 | 705 |
| Share of other comprehensive income of associates accounted for using equity method | -14 | -12 |
| Total other comprehensive income | 337 | 692 |
| Comprehensive income | 1,696 | 4,196 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 1,696 | 4,196 |
| Comprehensive income attributable to non-controlling interests | — | — |

(3)Notes of Quarterly Consolidated Financial Statements

(Notes Concerning Premise of a Going Business)

Not applicable.

(Notes concerning Material Changes in Shareholders' Equity)

Cumulative period for this consolidated first quarter (from April 1, 2016 to June 30, 2016)

Not applicable

(Segmental Information)

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

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

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

(Note) 1. 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 first quarter (from April 1, 2016 to June 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 | 290,674 | 23,406 | 92 | 160 | 314,333 | — | 314,333 |
| (2) Inter-segment internal net sales or transfers | 12,184 | 93 | — | 52 | 12,330 | -12,330 | — |
| Total | 302,859 | 23,499 | 92 | 212 | 326,663 | -12,330 | 314,333 |
| Segment profit | 4,043 | -118 | 34 | -69 | 3,888 | -134 | 3,753 |

(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

3. 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 first quarter is minor.