Summary of Consolidated Financial Results of Fiscal 2013

May 10, 2013

Name of Listed Company: TOHO HOLDINGS CO., LTD. Listed: Tokyo Stock Exchange
Securities Code Number: 8129 URL: http://www.tohohd.co.jp
Corporate Representative / Title Norio Hamada / President and Representative Director
Contact Representative / Title Mamoru Ogino / Corporate Officer and General Manager of Finance Department
TEL: +81-3-4330-3735
Planned Date of General Meeting of Shareholders: Jun 27, 2013 Planned Date of Dividends Payment: Jun 10, 2013
Planned Date of Filing of Annual Securities: Jun 27, 2013
Supplemental explanatory materials for the Financial Results: Draft
Financial results briefing held : Hold （For institutional investors and analysts）

(Amounts are truncated to the nearest million yen.)

1. Consolidated Results of Operations for the March 2013 (from April 1, 2012 to March 31, 2013)

(1) Consolidated Results of Operations

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal 2013	1,140,364	2.9	15,877	12.8	19,585	10.5	11,526	7.1
Fiscal 2012	1,108,089	4.6	14,073	141.0	17,732	87.0	10,766	47.8

(Note) Comprehensive income: Fiscal 2013:18,640 million yen (46.2%); Fiscal 2012:12,751 million yen (26.0%)

	Current Net Income per Share	Current Net Income per Share - Diluted	Return on Equity	Ordinary Income/ Total Assets	Operating Income/ Net Sales
	Yen	Yen	%	%	%
Fiscal 2013	159.21	―	9.0	3.6	1.4
Fiscal 2012	142.24	―	9.1	3.3	1.3

(Reference) Equity in earnings (losses) of equity-method investees : Fiscal 2013: 86 million yen; Fiscal 2012: 51 million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder’s Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
Fiscal 2013	562,668	134,272	23.9	1,902.43
Fiscal 2012	536,440	121,594	22.7	1,650.93

(Reference) Shareholder’s equity: Fiscal 2013: 134,272 million yen; Fiscal 2012: 121,594 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
Fiscal 2013	24,558	-10,453	-15,997	37,368
Fiscal 2012	19,366	1,415	-12,460	38,588

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	%	%
Fiscal 2012	―	8.00	―	8.00	16.00	1,190	11.2	1.0
Fiscal 2013	―	8.00	―	8.00	16.00	1,151	10.0	0.9
Fiscal 2014 (Projected)	―	10.00	―	10.00	20.00		12.2	

3. Consolidated Projected Results of Operations during Fiscal Year 2014 (from April 1, 2013 to March 31, 2014)

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

	Net Sales		Operating Income		Ordinary Income		Current Net Income		Current Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second half of Fiscal 2014	576,000	3.6	5,200	-28.3	8,100	-6.3	4,700	-8.7	66.59
Year-end	1,180,000	3.6	14,700	-7.4	20,400	4.2	11,600	0.6	164.35

4. Others

(1) Changes in material subsidies 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: Applicable

(iv) Correction and Restatement: N.A

(Note) The Company has changed the method of depreciation for tangible fixed assets from the first quarter of the current fiscal year ending March 2013. The change has been applied under the "case when it is difficult to distinguish between a change in an accounting policy and a change in an accounting estimate."
For further details, refer to (5) Notes to Consolidated Financial Statements (Change in the Case when it is Difficult to Distinguish between a Change in an Accounting Policy and a Change in an Accounting Estimate) of "4. Consolidated Financial Statements" on page 28 of the Attached Document.

(3) Number of shares outstanding (Common stock)

(i) Number of shares outstanding at end of fiscal year (Including common stock for treasury)	FY2013	78,270,142	FY2012	78,270,142
(ii) Number of treasury stocks at end of fiscal year	FY2013	7,690,841	FY2012	4,618,030
(iii) The average number of shares during fiscal year	FY2013	72,398,483	FY2012	75,691,834

(Reference) Summary of Non-consolidated Financial Statements

1. Non-Consolidated Results of Operations for the March 2013 (from April 1, 2012 to March 31, 2013)

(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	%
Fiscal 2013	6,151	67.0	3,469	280.4	5,059	97.2	4,901	-32.3
Fiscal 2012	3,683	-35.7	912	-69.6	2,565	-28.8	7,240	-2.1

	Net Income per Share	Net Income per Share - Diluted
	yen	yen
Fiscal 2013	67.69	—
Fiscal 2012	95.64	—

(2) Non-consolidated Financial Position

	Total Asset	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	yen
Fiscal 2013	127,797	86,630	67.8	1,227.22
Fiscal 2012	118,677	81,708	68.8	1,109.21

(Reference) Shareholder's Equity Fiscal 2013 :86,630 million yen Fiscal 2012 : 81,708 million yen

* Status of the implementation of the audit procedure

- The Financial Results of Fiscal 2013 were exempt from the audit procedure based on the Financial Instruments and Exchange Act. As of the Fiscal 2013 disclosure, the audit procedure for the financial statements of Fiscal 2013 has not been completed.

* 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) Analysis concerning the Management Results of " 1. Analysis Concerning Management Result and Concerning the Financial Position" 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, 2013. 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.

- As described in the Notice regarding a Change in the Accounting Treatment submitted to Tokyo Stock Exchange on this date, the Company posted a "loss before deduction of temporary consumption tax payment (such as non-deductible consumption tax)" under the classification of "non-operating expenses" until fiscal 2013, however, the Company decided to change it to be represented in SG&A expenses from the fiscal year ending March 2014.
  Due to the change, SG&A expenses have been raised by 2.8 billion yen, whereas the operating income has been reduced by the same amount in the full-year earnings forecasts for the next fiscal year. The full-year operating income forecast based on the accounting treatment prior to the change is 17.5 billion yen (up 10.2% from the previous year in real terms). Neither ordinary income nor net income is affected by the change.

Contents of Attached Document

1. Management Results Analysis Concerning Management Result and Concerning the Financial Position

(1)Analysis Concerning Management Result

In the market for prescription pharmaceuticals during the consolidated fiscal year under review, medical treatment fees and NHI drug prices were revised, and accordingly NHI drug prices were reduced by 6.0% on average (6.25% on average if additional reductions in the prices for long listed drugs are included). In addition, measures to hold down medical expenses have been spreading, as seen in the accelerated use of generic drugs due partly to the promotion of generic name prescription. On the other hand, some positive factors such as the progressive aging of the population and the sales of new drugs as well as orphan drugs helped the market follow a steady, albeit slow, upward path; it advanced 1.9%, year on year (estimates by Crecon Research & Consulting Inc.).

The TOHO Group has been promoting proposal-based marketing and sales by taking advantage of its unique customer support systems based on the major business target of securing appropriate profits, and has been tackling improvements in relation to distribution problems, including provisional shipping with the pricing yet to be negotiated, total value transactions and the issue of the gap between the NHI price and the market price. As a result, the Group's consolidated net sales for fiscal 2013 grew by 2.9% compared with the same period of the previous year.

To respond to the growth of the turnover in the near future and the expansion of the direct delivery system to our customers, the Company started construction of TBC Saitama (Kuki City, Saitama prefecture), TBC Hanshin (Itami City, Hyogo prefecture) in April 2012 as new distributions centers and also TBC Sapporo (Sapporo City, Hokkaido) in December 2012. These facilities were designed by taking account of the further enhancement of the traceability and disaster countermeasures learned from the Great East Japan Earthquake. These distribution centers will fully start up with further extension of wholesaling functions and services in the fiscal year ending March 2014.

As part of the new service menu for customer support, the Company started "wholesale of medical materials in small lots (name of service: ENIFme)" from December 1, 2012, in response to the diversification of needs accompanying the aging of the population and changes in medical practices. This service makes it possible to deliver medical materials in the quantities needed, when they are needed, on a nationwide scale across Japan. In addition, in March 2013, the Company renewed the website of eKenkoShop, which enables the purchase of OTC drugs and health-related products at a dispensing pharmacy by making an appointment through a website. The Company is committed to deploying its services by thoroughly taking a perspective of customers while taking advantage of its characteristics as a wholesaler of pharmaceuticals.

Under these circumstances, the Company's operating results for the consolidated cumulative period of the fiscal year ending March 2013 recorded 1,140,364 million yen for net sales (an increase of 2.9% on a year-on-year basis), 15,877million yen for operating income (an increase of 12.8% on a year-on-year basis), 19,585 million yen for ordinary income (an increase of 10.5% on a year-on-year basis), and 11,526million yen for net income (an increase of 7.1% on a year-on-year basis), and the Company was able to achieve a record-setting performance in all the indicators, as they did in the previous year.

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

In the field of pharmaceutical wholesaling operations, the Company has continued to promote the business model of proposal-based marketing and sales centered on customer support systems, and at the same time, the Company developed a compatibility strategy by achieving a balance with the sales of new products for which the market is expected to grow. As a result, the Company was able to achieve consolidated net sales of 1,096,713 million yen (an increase by 2.8% on a year-on-year basis) exceeding the average market growth. As for profits, the Company strictly operated a price lock system to secure appropriate profits based on price systems responding to the value of each product, and implemented improvements in total value transactions and dealt with the issue of the gap between the NHI price and the market price, as well as the problem of provisional shipping with the pricing yet to be negotiated. Furthermore, the Company has made efforts to expand fee-based businesses and reduce expenses on a company-wide basis. Consequently, the operating income was 11,731 million yen, an increase by 26.0% from the same period a year earlier. In addition, the sales mentioned above include internal sales between segments of 37,956 million yen.

In the field of dispensing pharmacy operations, the Company constantly expanded its business scale through setting up new dispensing pharmacies, however, the increased expenses for setting up new pharmacies and employing pharmacists have weighed on profits. As a result, the net sales were 80,065 million yen, an increase by 5.8% against the same period of the preceding year and operating income were 4,018 million yen, a decrease by 12.9% on a year-on-year basis.

In the SMO operations, consolidated net sales for fiscal 2013 were 387 million yen, a jump by 80.2% year on year and operating income was 168 million yen, assisted by a constant increase in commissioned business.

In the information equipment sales operations, net sales for fiscal 2013 were 1,562 million yen, a rise of 16.2% year on year, and the operating income was 77 million, assisted by the steady increase in the sales of smart devices (of information processing terminals, multifunctional terminals available for all uses, not only limited to computing functions).

(Projections for the Next Fiscal Year)

While the fiscal 2014 is the second year since the latest NHI drug price revision in relation to the prescription pharmaceuticals market to which the Company belongs, the adverse effects of price negotiations which have been proceeding with difficulty as well as those of consumption taxes are expected in addition to the effects of the wider adoption of policies to curtail medical expenses including promotion of the use of generic drugs. Even though it is difficult to make a forecast for fiscal 2014, the growth rate for the market as a whole is forecasted to be 3.8% compared with the previous year, assisted by sales of high priced pharmaceuticals, including new drugs and orphan drugs, further aging of the population and the increase in sales of pharmaceuticals for lifestyle-related diseases (estimates by Crecon Research & Consulting Inc.). Consequently, the market is expected to continue achieving stable growth.

In the pharmaceutical wholesaling operations, the Company strives to secure appropriate earnings by continuing price negotiations according to the category based on price systems related to the value of each product and at the same time expects to increase profits through the expansion of fee-based businesses. In the dispensing pharmacy operations, the Company is committed to continuing its improvement of business efficiency and creating high added value by maintaining close contact with community healthcare programs.

Accordingly, net sales for the next fiscal year ending March 2014 are projected to be 1,181,000 million yen (up 3.6% from the previous year), with the operating income estimated at 14,700 million yen (down 7.4%), ordinary income, 20,400 million yen (up 4.2%), and net income, 11,600 million yen (up 0.6%).

As described in the Notice regarding a Change in the Accounting Treatment submitted to Tokyo Stock Exchange on this date, the Company posted a “loss before deduction of temporary consumption tax payment (such as non-deductible consumption tax)” under the classification of “non-operating expenses” until fiscal 2013, however, the Company decided to change it to be represented in SG&A expenses from the fiscal year ending March 2014.

Due to the change, SG&A expenses have been raised by 2.8 billion yen, whereas the operating income has been reduced by the same amount in the full-year earnings forecasts for the next fiscal year. The full-year operating income forecast based on the accounting treatment prior to the change is 17.5 billion yen (up 10.2% from the previous year in real terms). Neither ordinary income nor net income is affected by the change.

(2) Analysis Concerning the Financial Position

①State of assets, liabilities, and net assets

(i)Asset

Consolidated current assets as of the end of March 2013 increased 1.9% from the end of the previous consolidated fiscal year to 410,286 million yen, due mainly to an increase in merchandise and finished goods of 11,511 million yen, and a decrease in notes and accounts receivable-trade of 3,362 million yen.

Noncurrent assets as of the end of March 2013 increased 13.8% from the end of the previous year to 152,382 million yen, due primarily to an increase in land of 1,424 million yen, an increase in construction in progress of 7,241 million yen, an increase in investment securities of 12,006 million yen, and a decrease in goodwill of 1,997 million yen.

As a result, consolidated total assets as of the end of March 2013 increased 4.9% from the end of the previous consolidated fiscal year to 562,668 million yen.

(ii)Liability

Current liabilities increased 3.9% from the end of the previous consolidated fiscal year to 393,611 million yen with an increase in notes and accounts payable-trade of 17,191 million yen, an increase in income taxes payable of 2,719 million yen, a decrease in short-term loans payable of 2,189 million yen, and a decrease in current portion of long-term loans payable of 3,661 million yen.

Noncurrent liabilities decreased 3.7% from the end of the previous consolidated fiscal year to 34,785 million yen with an increase in deferred tax liabilities of 3,792 million yen, a decrease in long-term loans payable of 3,062 million yen, a decrease in lease obligations of 386 million yen, and a decrease in negative goodwill of 919 million yen.

As a result, total liabilities increased 3.3% year-on-year to 428,396 million yen.

(iii)Net assets

Total net assets were up 10.4% from the end of the previous consolidated fiscal year to 134,272 million yen, with an increase in retained earnings of 10,564 million yen, an increase in treasury stocks of 4,993 million yen, and an increase in valuation difference on available-for-sale securities of 7,114 million yen.

②Cash Position

Cash and cash equivalents (hereinafter referred to as “cash”) during this consolidated fiscal year decreased by 1,220 million yen from the end of the preceding consolidated fiscal year. As a result, the balance at the end of this consolidated fiscal year totaled 37,368 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 24,558million yen (an increase of 5,191 million yen on a year-on-year basis). Although inflow was secured by some positive factors such as income before income taxes of 19,610 million yen, depreciation of 2,913 million yen, decrease in notes and accounts receivable-trade of 3,931 million yen, and an increase in notes and accounts payable-trade of 16,788 million yen, these were somewhat offset by negative factors including an increase in inventories of 11,396 million yen, and income taxes paid of 6,194 million yen.

(ii) Cash Flows from Investing Activities

Cash flow from investing activities was an outflow of 10,453 million yen (a decrease of 11,869 million yen from the previous year). Positive factors, such as a net increase in cash of 1,004 million yen as the difference between payment for additions to time deposits and proceeds from refunds from time deposits, and proceeds from sales of property, plant and equipment of 1,612 million yen, were totally offset by negative factors including purchase of property, plant and equipment of 11,026 million yen, and purchase of intangible assets of 838 million yen, and purchase of stocks of subsidiaries and affiliates of 1,484 million yen.

(iii) Cash Flows from Financing Activities

Cash flow from financing activities was an outflow of 15,997 million yen (a decrease of 3,536 million yen from the previous year), due to net decrease in short-term loans payable of 2,109 million yen, net decrease in long-term loans payable of 6,724 million yen, purchase of treasury stock of 4,993 million yen, repayments of finance lease obligations of 974 million yen, and cash dividends paid of 1,176 million yen.

(Reference) Trends in key indicators of cash flows

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Shareholder’s Equity Ratio (%)	19.5	20.6	21.4	22.7	23.9
Shareholder’s Equity Ratio at Market Value (%)	14.0	18.4	13.0	20.2	27.3
Ratio of cash flows to interest-bearing debts (%)	1.0	1,838.8	363.6	151.3	83.0
Interest Coverage Ratio (time)	75.6	4.9	18.8	37.3	57.9

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.

(3)Company’s Basic Policy for Allocation of Profit and Dividend for the Current Term and Next Term

(Company’s Policy for Dividend)

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, considering year-on-year changes in operational performance. We also seek to retain adequate earnings to augment the Company’s earnings structure and to provide for future market fluctuations. Based on these policies, the Company decided to pay a common annual dividend of 16 yen per share (8 yen per share for both interim dividend and year-end dividend). In the next fiscal year, we plan to add a 65th anniversary commemorative dividend of 4 yen to a common dividend of 16 yen and to pay a total of 20 yen. We wish to continue to show our appreciation for the support we receive from our shareholders.

(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 10, 2013).

Ⅰ Pharmaceutical Wholesaling Operations

1. 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 NHI Drug Price Standards are known as the “Methodology for Calculating the Amounts of Expenses Required for Medical Treatments as Prescribed by the Health Insurance Law” as announced by the Minister of Health, Labour and Welfare. 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.

The Group’s operating results tend to be affected by the unwillingness of medical institutions etc. to buy prior to the revisions in the NHI Drug Price Standards and the price trends after the reduction in the NHI drug prices.

As explained above, revisions in the NHI Drug Price Standards and other health insurance framework arrangements may affect the Toho Holdings Group’s results for its operations, depending on how the details are worked out.

2. Business Practices Unique to Industry

The industry is known for its peculiar business practice whereby prices are not yet determined when a pharmaceutical vendor delivers a shipment to medical institutions or dispensing pharmacies based on the mutual understanding that both parties will negotiate the price at a later date. Conversely, prolonged price negotiations may adversely affect the Group’s operating results.

The pharmaceutical distribution business involves the payment of sales rebates and sales promotion incentives to pharmaceutical wholesalers by pharmaceutical manufacturers.

Sales rebates are calculated by mainly setting up progressive rebate rates according to the purchase value and pharmaceutical wholesalers are consequently able to virtually reduce their purchase prices by acquiring sales rebates.

Consequently, if part of a pharmaceutical manufacturer’s business policies or price system is changed, this may have a materially adverse impact on the Group’s performance according to the contents of the change.

Ⅱ Dispensing Pharmacies Operations

1. Ramifications of Revision of the NHI Drug Price Standards and Reform of the Health Insurance Regime

As for dispensing pharmacy operations, revenues from the sales of prescription pharmaceuticals based on the NHI Drug Price Standards above and revenues such as dispensary fees and pharmaceutical administration fees based on medical fee points for dispensing as stipulated in the National Health Insurance Law are the main revenues. Accordingly, the Group’s operating results may be affected if the NHI Drug Price Standards are revised or if dispensary fees are revised.

Furthermore, the framework reforms being implemented by the government to secure the soundness of health insurance finances may result in a decrease in the number of patients and a decrease in the number of prescriptions issued by medical institutions, according to previous trends. In this case, the Group’s operating results may be affected.

As mentioned above, revisions to the health insurance system, including a revision of the NHI Drug Price Standards, may materially affect the operating results of the Group.

2. Business Practices Unique to the Industry

①System to separate dispensing and prescribing functions

The dispensing pharmacy business is engaged mainly in prescription of pharmaceuticals according to prescriptions issued by medical institutions. Accordingly, if there are any changes in the circumstances surrounding the industry, including future progress in the system of separation of dispensing and prescribing functions, or if a situation arises such as the abolition of the issuance of prescriptions (a return to in-hospital prescriptions) or the transfer and discontinuation of the business by medical institutions of issuing prescriptions, then the number of prescriptions received may fluctuate. In this case, the Group's operating results may be affected according to these fluctuations.

②Dispensing 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.

③Consumption taxes

Although prescription pharmaceuticals that a dispensing pharmacy sells to patients are non-taxable goods based on the Consumption Tax Law, those that a dispensing pharmacy purchases from a pharmaceutical wholesaler are taxable (e.g. consumption taxes) based on this same law. Against this background, the dispensing pharmacy is liable, as the final user, for consumption taxes at its own expense. Therefore, if the NHI Drug Price Standards are not revised according to the change in the tax rate when a revision of the consumption tax occurs in future, it may affect the Group's operating results.

④Securing pharmacists

At dispensing pharmacies, the work of dispensing medicine by persons other than pharmacists is prohibited. Consequently, if a resident pharmacist system and the services provided by such a pharmacist for patients cannot be secured at a pharmacy based on full cover of the business hours, then the above regulations may affect the Group's maintenance of pharmacies and the opening of new pharmacies as well as the performance of its dispensing pharmacy business.

III. Business Risks common to the Group

Control of personal information

The Toho Group is handling a substantial amount of personal data concerning health personnel in pharmaceutical wholesale operations and patients in dispensing pharmacy operations. 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," 60 subsidiaries, and 13 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 Operations

The Company's 9 consolidated subsidiaries (TOHO PHARMACEUTICAL, Kyushu Toho, Honma Toho, SAYWELL, Koyo, Godo Toho, Sue Yakuhin, Yamaguchi Toho, Ogawa Toho), four 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 33 subsidiaries (Dispensing pharmacies business : Phrama-Daiwa, J. Mirai Medical, Tomonity, Pharma Square, Nest, Japan Pharmacy, Yotsuba, Mirai, Seiko Medical Brain, VEGA PHARMA, Jus-Pharma, and 22 others) and seven affiliated companies (Wakaba, and six 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).

(2) Dispensing Pharmacies Operations

The Company's 11 consolidated subsidiaries (Phrama-Daiwa, J. Mirai Medical, Tomonity, Pharma Square, Nest, Japan Pharmacy, Yotsuba, Mirai, Seiko Medical Brain, VEGA PHARMA, Jus-Pharma), 22 non-consolidated subsidiaries and seven associate companies (Wakaba, and six others) primarily manage health insurance dispensing pharmacies.

PharmaCluster (a consolidated subsidiary) undertakes the management of the dispensing pharmacy business.

(3) Site Management Organization (SMO) Operations

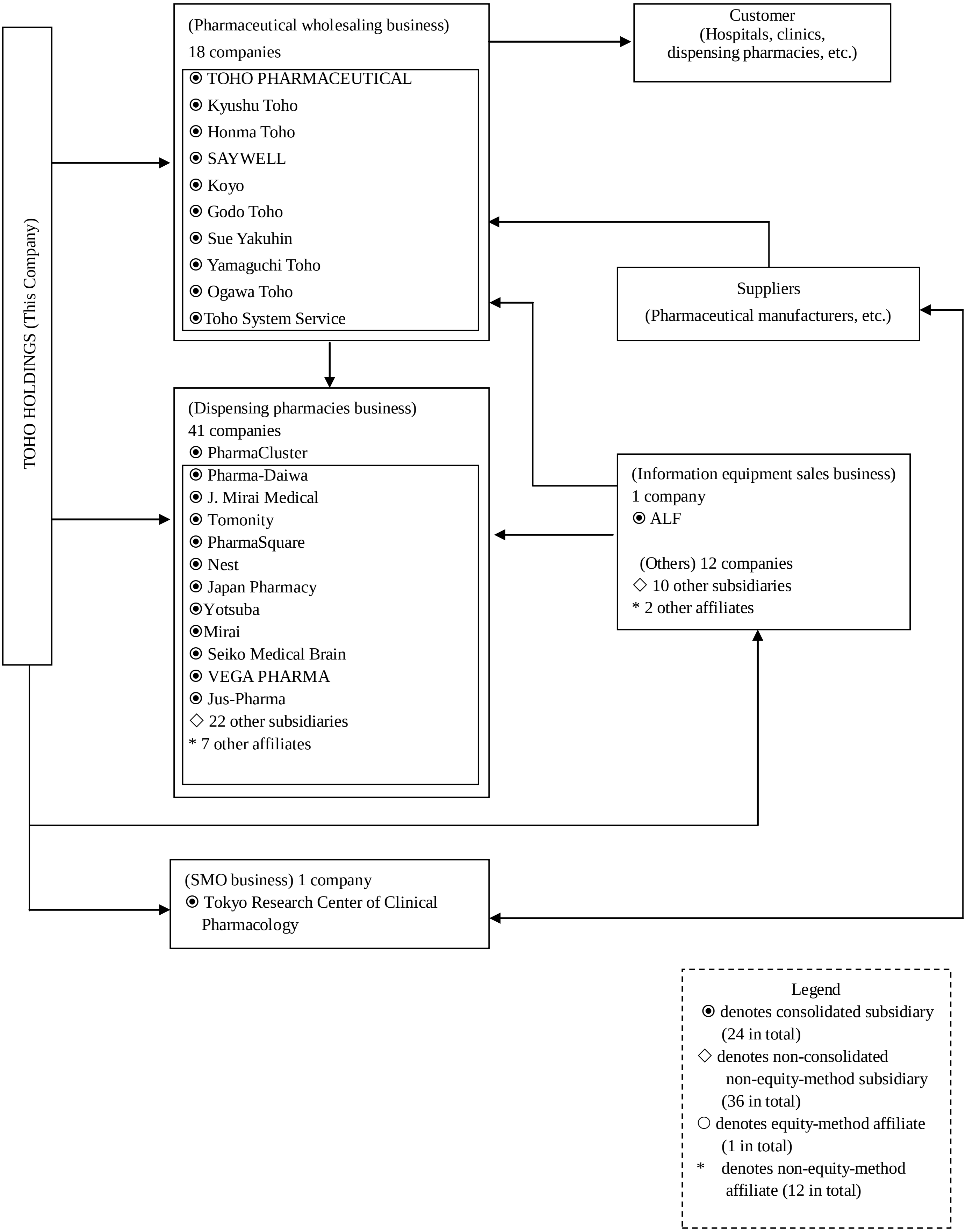
The Tokyo Research Center of Clinical Pharmacology, a consolidated subsidiary, undertakes SMO (Site Management Organization) operations.

(4) Information Equipment Sales Operations

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

Other companies (10 non-consolidated subsidiaries and two 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	Chuoh-ku, Kumamoto City, Kumamoto	522	Pharmaceutical wholesaling	100.00 (100.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL, a consolidated subsidiary. Company represented on Board of Directors.
Honma Toho	Chuoh-ku, Niigata City, Niigata	100	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 (35.61)	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.
Sue Yakuhin	Midori city, Gunma	30	Pharmaceutical wholesaling	100.00 (100.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL, a consolidated subsidiary.
Yamaguchi Toho	Tsuchiura City, Ibaraki	20	Pharmaceutical wholesaling	100.00 (100.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL, a consolidated subsidiary. Company represented on Board of Directors.
Ogawa Toho	Takasaki City, Gunma	20	Pharmaceutical wholesaling	100.00 (100.00)	Supplied pharmaceuticals by TOHO PHARMACEUTICAL, a consolidated subsidiary. Company represented on Board of Directors.
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. Company represented on Board of Directors.

Name	Location	Capital (Million yen)	Main Business Description	Company's Voting Ownership (%)	Detailed Relationship with Company
Pharma Cluster	Chuoh-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 Company.
Tomonity	Sinjuku-ku, Tokyo	50	Operation of dispensing pharmacies and small-lot wholesaling of pharmaceuticals	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary.
Pharma Square	Chuoh-ku, Tokyo	50	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary. Supported financially by Company.
Nest	Aoba-ku, Sendai City, Miyagi	50	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary. Company represented on Board of Directors.
Japan Pharmacy	Chuoh-ku, Tokyo	50	Operation of dispensing pharmacies	100.00	Supplied pharmaceuticals by a consolidated subsidiary.
Yotsuba	Chiyoda-ku, Tokyo	44	Operation of dispensing pharmacies	100.00	Supplied pharmaceuticals by a consolidated subsidiary.
Mirai	Nishi -ku, Niigata City, Niigata	36	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary.
Seiko Medical Brain	Hakata-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.
Jus-Pharma	Mito City, Ibaraki	10	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary. Company represented on Board of Directors. Supported financially by the Company.
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. Supported financially by Company.
(Equity-Method Affiliates) Sakai Yakuhin	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. SAYWELL is a specified subsidiary.

3. 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	①Net sales	1,077,384 million yen
	②Ordinary income	10,616 million yen
	③Net income	7,076 million yen
	④Net Assets	20,021 million yen
	⑤Total Assets	437,547 million yen
(i i) SAYWELL	①Net sales	146,178 million yen
	②Ordinary income	2,450 million yen
	③Net income	1,557 million yen
	④Net Assets	28,121 million yen
	⑤Total Assets	65,064 million yen

3. Business Management Policy

(1) Company's Basic Policy for Management of Operations

In a super-ageing society, medical and health care is of great interest to the public. Although diversifying, the market for medical and health care has been on a long-term expansion trend. Under such market circumstances, the Company sets "Total Commitment to Good Health" as its group slogan and strives to achieve the societal mission of "contributing to the medical care and health of people around the world."　This effort must play a pivotal role as the Company operates in accordance with its basic business management policy of "creating new added value and enhancing its corporate value continuously."　In pursuit of realizing this aim, the Company has endeavored to develop and offer a variety of customer-oriented and patient-oriented services.

(2) Target Managerial Indicators

As for the medium- to long-term targets, the Company aims to realize a ratio of ordinary income to net sales of 2% through striving to improve the high value-added business portfolio and the ratio of SG&A expenses to net sales of 4% in the field of pharmaceutical wholesaling operations, by promoting measures to improve management efficiency.

(3) Company's Medium- to Long-Term Business Management Strategy

The Company's medium- to long-term business domains boil down to the keywords of "Medical Care, Health, and Comfortable Living," and "Japan and the World," and an intensive promotion of its business management strategy will be based on the following three-point vision for our business structures:

①Develop the dispensing pharmacy business into a second earnings pillar, with the prescription pharmaceutical wholesaling business as the Company's core, and expand operations to cover healthcare-related areas centered on medical care;

②Serve all of Japan with an eye on overseas expansion; and

③Develop an adequate portfolio of cross-disciplinary, alliance-based business models designed to create value for customers.

With an aim to solve problems facing the operations of customers and improve the quality of life (QOL) enjoyed by people in general and patients in particular, we endeavor to develop and distribute a variety of services and solutions that are unique and proprietary to the Company. We will also procure a wide array of products, ranging from reagents, medical materials, medical equipment, over-the-counter (OTC) pharmaceuticals, and health-related products to cosmetics, daily goods and foods within the scope, in addition to a full spectrum of ethical pharmaceuticals.

As for the Group's business infrastructure such as information systems and logistics networks, we will continue to position infrastructure issues as an important strategic theme and step up for further efforts.

We place importance on enhancing our corporate value on a long-term and ongoing basis. For that purpose, we will strive for greater business efficiencies within the Group, while working aggressively on such important management issues as the full-scale use of IT technology and development of new distribution services to address deregulation moves, development of overseas business, and transformation of the business model.

(4) Company Issues that Need Addressing

<Internal Control>

In accordance with the Corporation Law, the Company has established its Basic Policy Governing Internal Control Systems and has worked to ensure strict compliance involving the entire organization. In its compliance and risk management efforts, in particular, we have set up a Compliance and Risk Management Committee that meets on a regularly scheduled basis.

＜Financial Status＞

With respect to its financial status, the Company will continue to stand firm on its sales policy in placing priority on profitability, and endeavor to increase net assets by accumulating profits, enhance its financial structure, and particularly enhance its capital structure. The Company enjoys a good cash position, as it has low reliance on interest-bearing debts. The Company aimed to achieve the management indicators for the receivable turnover period (six-month average) of 2.65 months and stock turnover (six-month average) of 0.50 months up to March 2013, and at the end of March this year, these indicators were 2.59 months and 0.74 months, respectively. The Company will continue to promote business efficiency and challenge the achievement of a receivable turnover period (six-month average) of 2.50 months and a stock turnover period (six-month average) of 0.65 months taking into consideration the startup of three large-scale distribution centers and the establishment of inventories at sales offices for disaster response measures.

<Business Continuity Plan>

Based on the experience of the Great East Japan Earthquake, while the Company has reinforced important bases where emergency power systems, including dynamo-electric generators, have been installed as measures against power outage, and has promoted the deployment of cold storage containers capable of maintaining the temperature for 24 hours, it has also implemented the full duplication of its main systems and their peripheral systems. The Company will continue to carry out a variety of disaster countermeasures, including the duplication of marketing and sales information system.

<Global Environment Conservation Activities>

Among the TOHO HOLDINGS Group, mainly the Company and TOHO PHARMACEUTICAL CO., LTD. are tackling the promotion of global environment conservation activities.

From fiscal 2012, the Company took electricity saving measures together with all the Group companies in response to the government’s emergency electricity saving measures. Since the electric power supply and demand situation continues to be uncertain, emergency electricity saving measures are expected to be taken to the extent of it constituting a public movement throughout the country in fiscal 2014.

The Group is committed to deploying energy saving activities that combine improvements in productivity with a reasonable level of energy consumption, without limiting its efforts only to saving electricity.

≪Pharmaceutical Wholesaling Business≫

<Promotion of Distribution Improvements>

In response to the Urgent Proposal that the Council Concerning Improvement of the Distribution of Prescription Pharmaceuticals announced in September 2007 and reported to the special committee for NHI drug prices of the Central Social Insurance Medical Council in October of the same year, the Company has been conducting activities directed toward the correction of provisional shipping with the pricing yet to be negotiated, total value transactions and the issue of the gap between NHI prices and market prices throughout the TOHO HOLDINGS Group.

In addition, the new drug price system centering on the “promotional point addition system for new drug discovery/off label drug dissolution” which has been introduced on a trial basis from April 2010 is intended to protect prices of new drugs during their patent period and also to encourage the development of new drugs or unapproved drugs from the viewpoint of the patients. The Company aims to establish drug prices according to the value of individual pharmaceuticals while obtaining the understanding of medical institutions and will make its utmost efforts to radicate these drug prices. The Toho Group will address the improvement of the distribution of drugs by continuing to establish systems for the better distribution of pharmaceuticals based on the viewpoint of ordinary people in order to increase the value of its existence as a pharmaceutical wholesaling company.

<Kyoso Mirai Group>

While posting sales of more than 1 trillion yen, the Kyoso Mirai Group with TOHO PHARMACEUTICAL as its core, enjoys a significant presence and realizes joint utilization of our purchasing systems and distribution and mission-critical systems. The Group adopts a business management and control system under which TOHO PHARMACEUTICAL CO., LTD. (“TOHO PHARMACEUTICAL”), a wholly owned subsidiary of TOHO HOLDINGS plays a central role. The Company has decided to merge (absorption-type merger) Koizumi Yakuhin Co., Ltd. into TOHO PHARMACEUTICAL on July 1, 2013 (scheduled) and also four companies operating in the North Kanto and Koshinetsu regions, namely, Honma Toho Co., Ltd., Ogawa Toho Co., Ltd., Sue Yakuhin Co., Ltd., and Yamaguchi Toho Co., Ltd., into TOHO PHARMACEUTICAL on October 1, 2013 (scheduled), for the purpose of optimizing the managerial resources of the entire Group and maximizing its corporate value, thereby responding promptly to the dramatically changing business environment.

<Ashi-no-kai>

Ashi-no-kai obtains allowances through its joint sales promotion and sustains efforts and consultations for the joint development of new wholesale functions.

<Initiatives to Explore and Develop New Business Models and Formats>

The Company opened the portal site “eKenkoshop” in which customers can reserve the purchase of OTC drugs on the Internet and pick them up at the dispensing pharmacy so that patients or consumers can get the medicine they require without fail. The Company started the operation of this website in October 2011. During the current consolidated fiscal year that ended March 2013, the Company renewed the portal site “eKenkoshop” in March this year taking into consideration the convenience of the patients and consumers. The new model enables users to receive appropriate drug administration guidance from pharmacist while enjoying the convenience of acquiring the drugs through the Internet. In response to the diversification of needs resulting from the aging of the population and changes in the healthcare environment, the Company started from December 1, 2012, “wholesale of medical materials in small lots (name of the service: ENIFme)” which makes it possible to deliver medical materials in the quantities needed, when they are needed, on a nationwide scale across Japan.

<Profitability>

The Company is understands that the Kyoso Mirai Group has made significant efforts for the benefits of scale and cost reduction. From now on, in addition to activities to maintain the gross profit rate and to reduce the ratio of SG&A expenses to sales, the Company will make efforts to strengthen the development of new products that are expected to spur sales growth in the domestic market, enlarge transactions with foreign-affiliated manufacturers, enhance efforts for pharmaceutical manufacturers for which the Company is able to acquire exclusive sales rights, and develop next-generation wholesaler functions, and further strive to develop fee-based business as new sources of earnings and monetize consultative functions as revenue earners.

<Centralizing Business Infrastructure Functions>

In centralizing the Group’s business infrastructures, we will continue to promote the standardization of back-office business processes across the Group by integrating financial and accounting systems and HR and payroll systems and centralizing and overhauling the Group members’ general administrative work for increased efficiencies.

<Distribution Function>

The Toho Group believes that the mission of pharmaceutical wholesalers should be to “realize the safe and secure distribution of pharmaceuticals.” Toward this end, the Group has promoted efforts to reduce human errors to zero as far as possible with complete mechanization and systematization operations at all its logistics centers, including TBC Tokyo, and to relieve the workload burden on the sales offices. TBC Tokyo achieved a shipping accuracy rate of 99.999%. Furthermore, the Group has implemented many control systems at the branch level in pursuit of enhancing the traceability of pharmaceuticals (from the pharmaceuticals manufacturer to the patients).

Furthermore, in order to continue the stable supply of pharmaceuticals even at the time of a large-scale disaster, the Group has adopted an East and West Japan Dual-Center Approach for main systems (duplication of systems using data centers), and has built a mutual backup system among distribution centers. The Group will promote the execution of new risk management measures, including the utilization of outside computing centers for peripheral systems other than the main systems and promotion of the duplication of peripheral systems centers. To respond to the growth of the turnover in the near future and the expansion of the direct delivery system to our customers, the Company started construction of TBC Saitama (Kuki City, Saitama prefecture), TBC Hanshin (Itami City, Hyogo prefecture) in April 2012 as new distributions centers and also TBC Sapporo (Sapporo City, Hokkaido) in December 2012. These facilities were designed by taking account of the further enhancement of the traceability and disaster countermeasures learned from the Great East Japan Earthquake and will start full operations in fiscal 2014, with the aim of achieving a drastic rationalization in distribution and marketing activities and the further extension of its services.

<Innovation in Marketing Style>

The Group has set up systems for information exchanges among manufactures to promptly provide MRs (Medical Representatives) with detailed information about sales promotion activities by MSs (Marketing Specialists) from the viewpoint of enhancing wholesale functions. The system has realized the timely provision of information and a reduction in the office work required after returning to the office through the inputting of daily activity reports utilizing voice-recognition functions from the Meissa (a smartphone), a mobile terminal that supports MSs.

Furthermore, with respect to operations at call centers in the eastern part and the western part of Japan, the Company has improved work processes by taking advantage of a database of historical responses to customer calls. The Company will continue to seek improvements focusing on preventing opportunity losses at the branches because an order is out of stock or is difficult to deliver on time and on reducing inquiries regarding ENIF and divided package sales. Furthermore, the Company has offered drug information (DI) for sales promotions (in an outbound direction). In addition, as a part of new efforts, the Company will consolidate office work functions of sales offices at the call centers built on the premises of both TBC Hanshin and TBC Sapporo and address the reform of our business style with Sales and Marketing Division, Logistics Division and Brand Strategy Division working together.

<Customer Support System>

Our proprietary customer support systems developed from customer-oriented and patient-oriented perspectives, and offered as services with fees, specifically ENIF (an interactive system enabling ordering and information retrieval on handheld information terminals), ENI-Pharmacy (system for the separation of dispensaries from medical practices), LXMATE-HeLios (a hospital appointment booking system via telephone), “Initial examination reservation service” at a clinic to acquire new patients, PharmaStream ENIF club plan (support system for Web-learning; Internet-based lifelong education for pharmacists), e-ENIF.net (an Internet-based inventory management and order placement support system), ENIFvoice SP (a voice-recognition medication history recording support system), and ENIFwin Nex-Sus (An integrated in-hospital distribution and inventory-management system), enjoyed further market penetration during this term thanks to their various functions and convenient advantages. Since a higher market penetration of these systems will entail expectations for further contributions to differentiated services, more stable trading relationships, and greater business efficiencies, the Company’s important challenges for marketing strategies in the next term will continue to be the further improvement and penetration of these services, and the development of new solutions.

During the current consolidated fiscal year, the Company independently developed the “ENI-Pharma” series of programs that totally control, through a network, business operations including medical-related work (billing), recording of the personal drug history (patient information), sales of OTC drugs and related products (POS system), controlling of inventories, processing of the placing orders and the management of patients based on a home healthcare program and also free pharmacies from the problem of non-compatibility among networks designed by different makers in their work.

≪Dispensing Pharmacy Business≫

＜Dispensing Pharmacy Operations＞

The Group will extend across-the-board support for the future sound management of regional family pharmacies, utilizing its strong marketing capacity including its unique customer support systems. Meanwhile, as specific measures to promote vertical cooperation with dispensing pharmacies, the Group will explore based on the spirit of “Kyoso Mirai (to create the future together)”, the Group’s basic principle, new and functional models of a flexible alliance making considerable use of the ties between insurance pharmacies, prescribers and patients. On top of these operations, the Group also intends to develop the dispensing pharmacy business into a stable earnings source over the long term. The Company will promote cost reductions through the centralization of administrative work carried out by each company in the future, with the aim of realizing total optimization for all the dispensing pharmacy businesses.

Moreover, we have established the “Study Group for the Kyoso Mirai Group in Pharmacy” to support micro, small and medium-sized dispensing pharmacies intending to operate independently in the field of regional medical care. The Study Group aims to jointly solve issues of the “improvement of management efficiency”, “patient support functions” and “securing and training of pharmacists”, which are difficult for each individual dispensing pharmacy to solve.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	Fiscal 2012 (As of March 31, 2012)	Fiscal 2013 (As of March 31, 2013)
Assets		
Current assets		
Cash and deposits	*3 43,244	*3 41,119
Notes and accounts receivable-trade	266,499	263,136
Short-term investment securities	1,087	502
Merchandise and finished goods	60,845	72,356
Deferred tax assets	2,498	2,880
Purchase rebates receivable	13,852	13,906
Others	15,268	16,941
Allowance for doubtful accounts	-763	-557
Total current assets	402,531	410,286
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	*3 20,125	*3 20,343
Vehicles, net	31	28
Land	*3,*5 37,916	*3,*5 39,340
Lease assets, net	2,495	2,304
Construction in progress	452	7,694
Others	977	998
Total property, plant and equipment	*1 61,999	*1 70,710
Intangible assets		
Goodwill	14,658	12,660
Others	2,966	3,026
Total intangible assets	17,624	15,686
Investments and other assets		
Investment securities	*2,*3 43,210	*2,*3 55,216
Long-term loans receivable	3,784	3,801
Deferred tax assets	395	430
Others	8,943	*2 8,517
Allowance for doubtful accounts	-2,047	-1,981
Total investments and other assets	54,285	65,985
Total noncurrent assets	133,908	152,382
Total assets	536,440	562,668

(Unit: million yen)

	Fiscal 2012 (As of March 31, 2012)	Fiscal 2013 (As of March 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	*3 346,414	*3 363,606
Short-term loans payable	*3,*6 4,615	*6 2,425
Current portion of bonds	—	10
Current portion of long-term loans payable	*3 11,119	*3 7,458
Lease obligations	983	991
Income taxes payable	3,745	6,465
Accrued expenses	2,306	2,419
Provision for bonuses	3,489	3,636
Provision for directors' bonuses	91	105
Provision for sales returns	291	299
Others	5,660	6,194
Total current liabilities	378,718	393,611
Noncurrent liabilities		
Bonds payable	30	—
Long-term loans payable	*3 13,537	*3 10,474
Lease obligations	2,422	2,035
Deferred tax liabilities	11,304	15,097
Provision for retirement benefits	1,985	2,074
Deferred tax liabilities for land revaluation	*5 1,142	*5 1,138
Asset retirement obligations	729	879
Negative goodwill	2,097	1,177
Others	2,878	1,907
Total noncurrent liabilities	36,127	34,785
Total liabilities	414,845	428,396
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	46,144	46,144
Retained earnings	67,536	78,100
Treasury stock	-4,036	-9,030
Total shareholders’ equity	120,293	125,864
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,602	12,716
Revaluation reserve for land	*5 -4,301	*5 -4,308
Total accumulated other comprehensive income	1,300	8,407
Total net assets	121,594	134,272
Total liabilities and net assets	536,440	562,668

(2) Consolidated Profit and Loss Statement and Statements of Comprehensive Income

Consolidated Profit and Loss Statement

(Unit: million yen)

	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Net sales	1,108,089	1,140,364
Cost of sales	1,010,888	1,038,358
Gross profit	97,200	102,005
Provision for sales returns	-55	7
Gross profit-net	97,256	101,998
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	43,268	45,017
Provision for bonuses	3,473	3,614
Provision for directors' bonuses	91	105
Provision for retirement benefits	200	262
Provision of allowance for doubtful accounts	-226	-114
Welfare expenses	7,094	7,555
Vehicle expenses	1,526	1,520
Depreciation	2,837	2,913
Amortization of goodwill	2,337	2,404
Rent expenses	7,131	7,050
Taxes and dues	1,100	1,140
Others	14,349	14,648
Total selling, general and administrative expenses	83,183	86,120
Operating income	14,073	15,877
Non-operating income		
Interest income	154	142
Dividend income	1,016	1,011
Commission fee	2,811	2,914
Real estate rent	389	411
Amortization of negative goodwill	1,539	919
Equity in earnings of affiliates	51	86
Others	1,074	1,744
Total non-operating income	7,037	7,231
Non-operating expenses		
Interest expenses	519	387
Commitment fee	54	49
Loss before deduction of temporary consumption tax payment	2,529	2,727
Others	275	358
Total non-operating expenses	3,379	3,523
Ordinary income	17,732	19,585

(Unit: million yen)

	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Extraordinary income		
Gain on sales of noncurrent assets	*1 69	*1 274
Gain on transfer of business	—	107
Gain on redemption of investment securities	—	258
Gain on revision of retirement benefit plan	43	—
Gain on step acquisitions	252	—
Gift of money for disasters	245	—
Compensation income	—	103
Others	1,758	43
Total extraordinary income	2,370	787
Extraordinary losses		
Loss on disposal of noncurrent assets	*2 189	*2 447
Impairment loss	*3 493	*3 282
Loss on valuation of stocks of subsidiaries and affiliates	338	—
Loss on disaster	59	—
Others	21	32
Total extraordinary losses	1,103	762
Income before income taxes	18,999	19,610
Income taxes-currents	5,925	8,589
Income taxes-deferred	2,307	-505
Total income taxes	8,233	8,084
Income before minority interests	10,766	11,526
Minority interests in loss	—	—
Net income	10,766	11,526

Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Income before minority interests	10,766	11,526
Other comprehensive income		
Valuation difference on available-for-sale securities	1,834	7,069
Revaluation reserve for land	141	—
Share of other comprehensive income of associates accounted for using equity method	9	44
Total other comprehensive income	*1 1,985	*1 7,114
Comprehensive income	12,751	18,640
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	12,751	18,640
Comprehensive income attributable to minority interests	—	—

(3) Consolidated Statement of Changes in Shareholders' Equity

(Unit: million yen)

	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	10,649	10,649
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	10,649	10,649
Capital surplus		
Balance at the end of previous period	42,884	46,144
Changes of items during the period		
Issuance of new shares	3,259	—
Total changes of items during the period	3,259	—
Balance at the end of current period	46,144	46,144
Retained earnings		
Balance at the end of previous period	58,177	67,536
Changes of items during the period		
Change of scope of consolidation	-84	206
Dividends from surplus	-1,197	-1,176
Net income	10,766	11,526
Reversal of revaluation reserve for land	-124	7
Total changes of items during the period	9,359	10,564
Balance at the end of current period	67,536	78,100
Treasury stock		
Balance at the end of previous period	-47	-4,036
Changes of items during the period		
Purchase of treasury stock	-3,989	-4,993
Total changes of items during the period	-3,989	-4,993
Balance at the end of current period	-4,036	-9,030
Total shareholder's equity		
Balance at the end of previous period	111,663	120,293
Changes of items during the period		
Issuance of new shares	3,259	—
Change of scope of consolidation	-84	206
Dividends from surplus	-1,197	-1,176
Net income	10,766	11,526
Purchase of treasury stock	-3,989	-4,993
Reversal of revaluation reserve for land	-124	7
Total changes of items during the period	8,630	5,571
Balance at the end of current period	120,293	125,864

(Unit: million yen)

	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	3,757	5,602
Changes of items during the period		
Net changes of items other than shareholders' equity	1,844	7,114
Total changes of items during the period	1,844	7,114
Balance at the end of current period	5,602	12,716
Revaluation reserve for land		
Balance at the end of previous period	-4,567	-4,301
Changes of items during the period		
Net changes of items other than shareholders' equity	266	-7
Total changes of items during the period	266	-7
Balance at the end of current period	-4,301	-4,308
Total accumulated other comprehensive income		
Balance at the end of previous period	-809	1,300
Changes of items during the period		
Net changes of items other than shareholders' equity	2,110	7,106
Total changes of items during the period	2,110	7,106
Balance at the end of current period	1,300	8,407
Subscription rights to shares		
Balance at the end of previous period	62	—
Changes of items during the period		
Net changes of items other than shareholders' equity	-62	—
Total changes of items during the period	-62	—
Balance at the end of current period	—	—
Total net assets		
Balance at the end of previous period	110,916	121,594
Changes of items during the period		
Issuance of new shares	3,259	—
Change of scope of consolidation	-84	206
Dividends from surplus	-1,197	-1,176
Net income	10,766	11,526
Purchase of treasury stock	-3,989	-4,993
Reversal of revaluation reserve for land	-124	7
Net changes of items other than shareholders' equity	2,047	7,106
Total changes of items during the period	10,677	12,677
Balance at the end of current period	121,594	134,272

(4) Consolidated Statements of Cash Flows

(Unit: million yen)

	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes	18,999	19,610
Depreciation	2,837	2,913
Impairment loss	493	282
Amortization of goodwill	2,337	2,404
Amortization of negative goodwill	-1,539	-919
Increase (decrease) in provision for retirement benefits	-876	58
Increase (decrease) in provision for sales returns	-55	7
Increase (decrease) in provision for bonuses	28	132
Increase (decrease) in provision for directors' bonuses	-151	13
Increase (decrease) in allowance for doubtful accounts	-1,998	-272
Increase (decrease) in the provision for disaster losses	-298	—
Interest and dividends income	-1,170	-1,153
Interest expense	519	387
Loss (gain) on sales and retirement of noncurrent assets	119	173
Loss (gain) on sales and valuation of investment securities	-1,661	-38
Loss (gain) on redemption of investment securities	—	-258
Loss (gain) on sales of stocks of subsidiaries and affiliates	338	—
Loss (gain) on sales of golf club memberships	-0	0
Loss on valuation of golf club memberships	1	—
Decrease (increase) in notes and accounts receivable-trade	-10,083	3,931
Decrease (increase) in inventories	4,842	-11,396
Decrease (increase) in other assets	-762	-743
Increase (decrease) in notes and accounts payable-trade	9,546	16,788
Increase (decrease) in other liabilities	2,079	-110
Increase (decrease) in accrued consumption taxes	-1,519	-3,640
Others	-1,031	-1,589
Subtotal	20,992	26,579
Interest and dividends income received	1,185	1,160
Interest expenses paid	-519	-424
Income taxes paid	-5,032	-6,194
Others	2,740	3,438
Net cash provided by (used in) operating activities	19,366	24,558

(Unit: million yen)

	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Net cash provided by (used in) investment activities		
Payments into time deposits	-1,160	-769
Proceeds from withdrawal of time deposits	1,964	1,773
Purchase of property, plant and equipment	-1,946	-11,026
Proceeds from sales of property, plant and equipment	452	1,612
Purchase of intangible assets	-1,149	-838
Proceeds from sales of intangible assets	6	7
Purchase of investment securities	-130	-520
Proceeds from sales and redemption of investment securities	4,285	1,471
Purchase of stocks of subsidiaries and affiliates	-1,363	-1,484
Proceeds from sales of stocks of subsidiaries and affiliates	41	54
Expenditures for the performance of asset retirement obligations	-6	-6
Payments of loans receivable	-1,144	-1,742
Collection of loans receivable	1,653	1,195
Other	-86	-179
Net cash provided by (used in) investment activities	1,415	-10,453
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-5,113	-2,109
Proceeds from long-term loans payable	5,373	5,077
Repayment of long-term loans payable	-6,447	-11,801
Redemption of bonds	-370	-20
Purchase of treasury stock	-3,989	-4,993
Repayments of finance lease obligations	-714	-974
Cash dividends paid	-1,197	-1,176
Net cash provided by (used in) financing activities	-12,460	-15,997
Effect of exchange rate change on cash and cash equivalents	—	203
Net increase (decrease) in cash and cash equivalents	8,322	-1,688
Cash and cash equivalents at beginning of period	29,111	38,588
Increase in cash and cash equivalents resulting from merger	247	120
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	907	347
Cash and cash equivalents at end of period	*1 38,588	*1 37,368

(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: 24
The identities of primary consolidated subsidiaries are provided in "State of Associated Companies."
Yotsuba became a consolidated subsidiary of the Company due to an increase in its significance in the current consolidated fiscal year.
(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

① Securities

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.

② Inventories

Nine consolidated subsidiaries (TOHO PHARMACEUTICAL, Kyushu Toho, Honma Toho, SAYWELL, Koyo, Godo Toho, Sue Yakuhin, Yamaguchi Toho, and Ogawa 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 structures attached to buildings) acquired on and after April 1, 1998 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 leases 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

The estimated amount payable is recorded to fund bonus payments to eligible employees and directors, who are also employees of the Group.

③ Provision for directors' bonuses

In order to fund directors' bonuses from the estimated amount payable for this fiscal year, 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 retirement benefits

13 consolidated subsidiaries (TOHO PHARMACEUTICAL (provision succeeded to from SHOUEI due to consolidation), Sue Yakuhin, Tomonity, Pharma Square, Nest, Japan Pharmacy, Yotsuba, Mirai, J.Mirai Medical, VEGA PHARMA, Jus-Pharma, Tokyo Research Center of Clinical Pharmacology, and ALF) recognized the amount of accrual estimated at the end of the fiscal year under review to prepare for the payment of retirement benefits to employees. Calculation of the retirement benefit liability is based on the simplified method.

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 2013 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.

(Additional Information)

From April 1, 2013, the Company shifted the whole of the defined-benefit pension plan and retirement lump sum grants system of its one consolidated subsidiary (TOHO PHARMACEUTICAL (those succeeded to from SHOUEI due to its consolidation)) to a defined contribution pension system. There will be no effects due to this shift on the operating results for the following consolidated fiscal year.

(4) 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.

(5) 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.

(6) 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 case when it is difficult to distinguish between a change in an accounting policy and a change in an accounting estimate)

With the revision of the Corporation Tax Law, the Company and its consolidated subsidiaries have applied the method of depreciation based on the revised Corporation Tax Law to their tangible fixed assets acquired from April 1, 2012, onward, from the current consolidated fiscal year.

As a result, operating income, ordinary income and income before income taxes for the fiscal year ending March 2013 increased by 26 million yen respectively, compared with those based on the existing method.

(Change in the Accounting Treatment)

(Notes to Consolidated Balance Sheets)

1. Since “Gain on sales of investment securities” which was represented independently under the title of “Extraordinary income” in the prior consolidated fiscal year was less than 10% of the total amount of the extraordinary income, it has been represented under “Others” together with other items from the current consolidated fiscal year. The Company has reclassified the consolidated financial statements for the prior consolidated fiscal year to reflect the change in representation.

As a result, 1,677 million yen represented under “Gain on sales of investment securities” of “Extraordinary income” in the Consolidated Profit and Loss Statement for the prior consolidated fiscal year has been reclassified under “Others”.

2. Since “Loss on valuation of investment securities” which was represented independently under the title of “Extraordinary loss” in the prior consolidated fiscal year, has lacked its significance in terms of the amount, it has been represented under “Others” together with other items from the current consolidated fiscal year. The Company has reclassified the consolidated financial statements for the prior consolidated fiscal year to reflect the change in representation.

As a result, 13 million yen represented under “Loss on valuation of investment securities” of “Extraordinary loss” in the Consolidated Profit and Loss Statement for the prior consolidated fiscal year has been reclassified under “Others”.

(Notes to Consolidated Balance Sheets)

*1 Accumulated depreciation of property, plant and equipment:

	Fiscal 2012 (As of March 31, 2012)	Fiscal 2013 (As of March 31, 2013)
	36,215 million yen	37,544 million yen

*2 Investments in non-consolidated subsidiaries and affiliates:

	Fiscal 2012 (As of March 31, 2012)	Fiscal 2013 (As of March 31, 2013)
Investment securities	5,745 million yen	7,684 million yen

*3 Assets pledged as collateral and liabilities secured by collateral

Classified assets pledged

	Fiscal 2012 (As of March 31, 2012)	Fiscal 2013 (As of March 31, 2013)
Time deposits	308 million yen	295 million yen
Buildings	2,101 million yen	1,488 million yen
Land	6,188 million yen	4,664 million yen
Investment securities	2,034 million yen	2,550 million yen
Total	10,632 million yen	8,998 million yen

Liabilities secured by collateral

	Fiscal 2012 (As of March 31, 2012)	Fiscal 2013 (As of March 31, 2013)
Notes and accounts payable	30,648 million yen	32,394 million yen
Short-term loans payable and long-term debt (including current portion of long-term debt due within one year)	1,695 million yen	1,496 million yen
Total	32,344 million yen	33,891 million yen

*4 Liabilities guaranteed

①Bank loans guaranteed

Fiscal 2012 (As of March 31, 2012)		Fiscal 2013 (As of March 31, 2013)	
Other	141 million yen	Square One	868 million yen
—	—	Other	84 million yen
Total	141 million yen	Total	953 million yen

② Accounts payable guaranteed

Fiscal 2012 (As of March 31, 2012)		Fiscal 2013 (As of March 31, 2013)	
Kyoei yakuhin	82 million yen	Kyoei yakuhin	60 million yen

③ Leases guaranteed

Fiscal 2012 (As of March 31, 2012)		Fiscal 2013 (As of March 31, 2013)	
Akagi Jibiinkoka	21 million yen	Akagi Jibiinkoka	17 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

	Fiscal 2012 (As of March 31, 2012)	Fiscal 2013 (As of March 31, 2013)
Difference in value of land revalued between market and revalued book value at fiscal year-end	1,845 million yen	1,952 million yen

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

	Fiscal 2012 (As of March 31, 2012)	Fiscal 2013 (As of March 31, 2013)
Lending commitments	17,000 million yen	17,000 million yen
Balance borrowed	― million yen	― million yen
Total remainder	17,000 million yen	17,000 million yen

In addition, the Company has entered into a lending commitment agreement with one trading bank to facilitate the efficient procurement of general business funds.

	Fiscal 2012 (As of March 31, 2012)	Fiscal 2013 (As of March 31, 2013)
Lending commitments	1,000 million yen	1,000 million yen
Balance borrowed	― million yen	― million yen
Total remainder	1,000 million yen	1,000 million yen

(Notes to Consolidated Profit and Loss Statement)

*1 Gains on sales of noncurrent assets comprising:

	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Gain on sale of buildings	18 million yen	15 million yen
Gain on sales of land	50 million yen	258 million yen
Gain on sale of vehicles and carriers	0 million yen	1 million yen
Total	69 million yen	274 million yen

*2 Losses on disposal of noncurrent assets comprise:

	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Loss on retirement of buildings	121 million yen	258 million yen
Loss on retirement of tools, furniture and fixtures	37 million yen	15 million yen
Loss on retirement of software	0 million yen	8 million yen
Loss on sale of buildings	― million yen	10 million yen
Loss on sale of land	29 million yen	154 million yen
Loss on sale of vehicles and carries	― million yen	0 million yen
Total	189 million yen	447 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 classified as real estate used for business use and individual assets as classified as real estate for rent or 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.

Fiscal 2012 (From April 1, 2011 to March 31, 2012)

Location	Purpose	Class
Kohchi Sales Office and 9 other sites	Real estate for business use	Land, buildings, furniture and fixtures
Mito city, Ibaraki and 1 other site	Real estate for rent	Land and buildings
Former Niigata Sales Office and 22 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 113 million yen. It comprised 99 million yen on land and 13 million yen on buildings and 0 million yen on equipment and fixtures. 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.

The Group reduced to the recoverable amount the book value of real estate for rent due to consecutive losses in value, and recognized an impairment loss of 33 million yen. It comprised 26 million yen on land and 6 million yen on buildings. The Group measures recoverable amounts on the basis of net sales prices. 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 noncurrent assets.

In relation to unused real estate that is not used for business purposes, an impairment loss of 347 million yen was recognized due to the continuous decline in market prices. It comprised 318 million yen on land and 29 million yen on buildings. The Group measures recoverable amounts on the basis of net sales prices. 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.

Fiscal 2013 (From April 1, 2012 to March 31, 2013)

Location	Purpose	Class
Nagasaki Sales Office and 6 other sites	Real estate for business use	Land and buildings
Former Fukushima Sales Office and 31 other sites	Real estate unused	Land

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 37 million yen. It comprised 3 million yen on land and 33 million yen on buildings. 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 244 million yen was recognized due to the continuous decline in market prices. It comprised 244 million yen on land. 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.

(Notes to Consolidated Statements of Comprehensive Income)

*1 Recycling and tax effects concerning other comprehensive income

	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Valuation difference on available-for-sale securities		
Amount accrued for the current term	3,417 million yen	10,979 million yen
Recycling	-1,678 million yen	-32 million yen
Before tax effect adjustment	1,738 million yen	10,947 million yen
Tax effects	95 million yen	-3,877 million yen
Valuation difference on available-for-sale securities	1,834 million yen	7,069 million yen
Revaluation reserve for land		
Amount accrued for the current term	—	—
Recycling	—	—
Before tax effect adjustment	—	—
Tax effects	141 million yen	—
Revaluation reserve for land	141 million yen	—
Share of other comprehensive income of associates accounted for using equity method		
Amount accrued for the current term	9 million yen	44 million yen
Total other comprehensive income	1,985 million yen	7,114 million yen

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

Fiscal 2012 (From April 1, 2011 to March 31, 2012)

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 fiscal 2011 (in thousand stocks)	No. of stocks increased during fiscal 2012 (in thousand stocks)	No. of stocks decreased during fiscal 2012 (in thousand stocks)	No. of stocks as of the end of fiscal 2012 (in thousand stocks)
Outstanding stocks				
Common stocks (No.1)	74,582	3,687	―	78,270
Total	74,582	3,687	―	78,270
Treasury stock				
Common stocks (No.2)	95	4,522	―	4,618
Total	95	4,522	―	4,618

(Note) 1. The increase of 3,687,000 shares in outstanding common stocks represents the shares newly issued for the stock swap with SHOEI.

2. The increase of 4,522,000 shares in treasury common stocks represents an increase of 4,522,000 shares authorized by the Board of Directors and an increase of 0 shares as a result of the purchase of odd-lot shares.

2. Dividends

(1) Dividend Payment

Resolution	Type of shares	Total dividend amount (million yen)	Dividend per share (yen)	Record date	Effective date
May 11, 2011 Board of directors	Common stock	595	8	March 31, 2011	Jun 9, 2011
November 8, 2011 Board of directors	Common stock	601	8	September 30, 2011	December 5, 2011

(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 9, 2012 Board of directors	Common stock	589	Retained earnings	8	March 31, 2012	June 7, 2012

Fiscal 2013 (From April 1, 2012 to March 31, 2013)

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 fiscal 2012 (in thousand stocks)	No. of stocks increased during fiscal 2013 (in thousand stocks)	No. of stocks decreased during fiscal 2013 (in thousand stocks)	No. of stocks as of the end of fiscal 2013 (in thousand stocks)
Outstanding stocks				
Common stocks	78,270	–	–	78,270
Total	78,270	–	–	78,270
Treasury stock				
Common stocks (Note)	4,618	3,072	–	7,690
Total	4,618	3,072	–	7,690

(Note) The increase of 3,072,000 shares in treasury common stocks represents an increase of 3,071,000 shares authorized by the Board of Directors and an increase of 0 shares as a result of the purchase of odd-lot shares.

2. Dividends

(1) Dividend Payment

Resolution	Type of shares	Total dividend amount (million yen)	Dividend per share (yen)	Record date	Effective date
May 9, 2012 Board of directors	Common stock	589	8	March 31, 2012	Jun 7, 2012
November 7, 2012 Board of directors	Common stock	586	8	September 30, 2012	December 5, 2012

(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 10, 2013 Board of directors	Common stock	564	Retained earnings	8	March 31, 2013	June 10, 2013

(Notes to Consolidated Statements of Cash Flows)

<table>
<tr><th>Fiscal 2012
(From April 1, 2011 to March 31, 2012)</th><th>Fiscal 2013
(From April 1, 2012 to March 31, 2013)</th></tr>
<tr><td>*1 Reconciliation between cash and cash equivalents at the end of the fiscal year and amounts of related accounts in Consolidated Balance Sheet
(As of March 31, 2012)
(million yen)
Cash on hand and on deposit 43,244
Time deposits maturing beyond three months of deposit -5,158
Short-term investments (investment securities) becoming due within three months of acquisition 502
Cash and cash equivalents 38,588

2 Details of important non-monetary transactions

①Breakdown of assets and liabilities succeeded through mergers
Assets and liabilities succeeded to from Medical Brain and Medical Assist, which merged with the Company's consolidated subsidiary, Seiko, during the consolidated fiscal year, are as follows:
(million yen)
Current assets 662
Noncurrent assets 168
Total assets 830
Current liabilities 573
Noncurrent liabilities 237
Total liabilities 811

②Breakdown of assets and liabilities acquired through stock exchanges
Assets and liabilities acquired through share exchanges with Shouei during the current consolidated fiscal year are as follows.
In addition, the increase in the capital surplus (legal capital surplus) is 3,259 million yen due to the issue of new stocks following the share exchanges.
(million yen)
Current assets 14,868
Noncurrent assets 5,796
Total assets 20,664
Current liabilities 15,051
Noncurrent liabilities 2,081
Total liabilities 17,133

③The amounts of assets and liabilities related to finance leases newly accounted for in the current term were 1,885 million yen.</td>
<td>*1 Reconciliation between cash and cash equivalents at the end of the fiscal year and amounts of related accounts in Consolidated Balance Sheet
(As of March 31, 2013)
(million yen)
Cash on hand and on deposit 41,119
Time deposits maturing beyond three months of deposit -4,253
Short-term investments (investment securities) becoming due within three months of acquisition 502
Cash and cash equivalents 37,368

2 Details of important non-monetary transactions

The amounts of assets and liabilities related to finance leases newly accounted for in the current term were 526 million yen.</td></tr>
</table>

(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 described in the “Changes in accounting principles that are difficult to separate from the changes in accounting estimates”, with the revision of the Corporation Tax Law, from the current consolidate fiscal year, the Company changed its method of depreciation to a method based on the revised Corporation Tax Law for tangible fixed assets acquired on or after April 1, 2012. Consequently, the method of depreciation in each reporting segment has been changed to the method based on the revised Corporation Tax Law.

With this change, the profits from the segment of pharmaceutical wholesaling operations increased by 10 million yen, those of the segment of dispensing pharmacy operations increased by 12 million yen and those of the segment of the information equipment sales operations increased by 1 million yen for the current consolidated fiscal year compared with those based on the existing method.

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

Fiscal 2012 (from April 1, 2011 to March 31, 2012)

	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	1,031,195	75,673	215	1,004	1,108,089	—	1,108,089
(2) Inter-segment internal net sales or transfers	36,154	17	—	340	36,513	-36,513	—
Total	1,067,350	75,691	215	1,344	1,144,602	-36,513	1,108,089
Segment profit	9,309	4,612	399	65	14,386	-313	14,073
Segment assets	458,167	42,635	861	1,759	503,423	33,017	536,440
Other items							
Depreciation	1,506	564	9	9	2,089	748	2,837
Amortization of goodwill	351	1,984	1	—	2,337	—	2,337
Amortization of negative goodwill	1,517	22	—	—	1,539	—	1,539
Impairment loss	436	57	—	—	493	—	493
Investment in equity-method affiliate	982	—	—	—	982	—	982
Unamortized balance of goodwill	1,458	13,197	2	—	14,658	—	14,658
Unamortized balance of negative goodwill	1,942	154	—	—	2,097	—	2,097
Increase in property, plant and equipment and intangible assets	3,408	1,074	—	256	4,739	-16	4,723

(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 profits.

(2) The amount of the adjustments for segment assets includes 43,671 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.

Fiscal 2013 (from April 1, 2012 to March 31, 2013)

	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	1,058,756	80,047	387	1,172	1,140,364	―	1,140,364
(2) Inter-segment internal net sales or transfers	37,956	17	―	389	38,364	-38,364	―
Total	1,096,713	80,065	387	1,562	1,178,728	-38,364	1,140,364
Segment profit	11,731	4,018	168	77	15,996	-118	15,877
Segment assets	481,108	40,450	817	1,773	524,149	38,519	562,668
Other items							
Depreciation	1,590	694	8	18	2,312	601	2,913
Amortization of goodwill	319	2,084	1	―	2,404	―	2,404
Amortization of negative goodwill	897	22	―	―	919	―	919
Impairment loss	253	28	―	―	282	―	282
Investment in equity-method affiliate	1,105	―	―	―	1,105	―	1,105
Unamortized balance of goodwill	1,139	11,519	1	―	12,660	―	12,660
Unamortized balance of negative goodwill	1,045	131	―	―	1,177	―	1,177
Increase in property, plant and equipment and intangible assets	12,578	975	4	322	13,880	-9	13,871

(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 profits.

(2) The amount of the adjustments for segment assets includes 56,408 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.

(Related Information)

Fiscal 2012 (from April 1, 2011 to March 31, 2012)

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.

Fiscal 2013 (from April 1, 2012 to March 31, 2013)

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)
Fiscal 2012 (from April 1, 2011 to March 31, 2012)
This description is omitted since the similar information is disclosed in the segment information above.

Fiscal 2013 (from April 1, 2012 to March 31, 2013)
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)
Fiscal 2012 (from April 1, 2011 to March 31, 2012)
This description is omitted since the similar information is disclosed in the segment information above.

Fiscal 2013 (from April 1, 2012 to March 31, 2013)
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)
Fiscal 2012 (from April 1, 2011 to March 31, 2012)
Not applicable.

Fiscal 2013 (from April 1, 2012 to March 31, 2013)
Not applicable.

(Information per Share)

	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Net asset per share	1,650.93 yen	1,902.43 yen
Net income per share	142.24 yen	159.21 yen

(Note) 1. A description of the fully diluted net income per share after adjustments on potential shares is omitted since no potential shares exist.

2. The basis of the calculation of net income per share is as follows:

Item	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Net income per share		
Net income (million yen)	10,766	11,526
Amount not related to shareholders of common stock (million yen)	―	―
Net income from common stock (million yen)	10,766	11,526
Average number of shares of outstanding common stock during fiscal year (in units of 1000)	75,691	72,398
Outline of potential shares not included in calculation of current net income per share after adjustments on potential shares due to no dilution effect	Subscription rights to shares became void due to the expiry of the exercise period on June 30, 2011.	―

3. The basis of the calculation of the net asset per share is as follows:

Item	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Total net asset on consolidated balance sheet (million yen)	121,594	134,272
Amounts to be deducted from total net assets (million yen)	―	―
(Subscription rights to shares) (million yen)	(―)	(―)
(Minority interest) (million yen)	(―)	(―)
Net assets concerning common stocks at the end of the term (million yen)	121,594	134,272
Number of shares of common stock used in calculating net asset per share (in units of 1000)	73,652	70,579

(Significant Subsequent Events)

Not applicable.

(Disclosure omitted)

Notes regarding lease transactions, financial instruments, marketable securities, derivative transactions, retirement benefits, stock options, etc., tax effect accounting, business combinations, asset retirement obligations, rental property and other real estate, and related party information etc. were omitted, since the need for their disclosure in brief announcements of financial results is considered not significant.

5. Non-consolidated Financial Statements

(1) Balance Sheets

(Unit: million yen)

	Fiscal 2012 (As of March 31, 2012)	Fiscal 2013 (As of March 31, 2013)
Assets		
Current assets		
Cash and deposits	2,874	5,679
Short-term investment securities	575	—
Prepaid expenses	32	34
Deferred tax assets	247	53
Other accounts receivable	336	967
Short-term loans receivable	22,873	10,967
Others	63	62
Allowance for doubtful accounts	-20	-1
Total current assets	26,983	17,763
Noncurrent assets		
Property, plant and equipment		
Buildings, net	8,812	8,595
Structures, net	223	219
Tools, furniture and fixtures, net	14	22
Land	15,249	18,123
Lease assets, net	141	104
Construction in progress	342	7,540
Total property, plant and equipment	24,784	34,606
Intangible assets		
Leasehold right	145	147
Software	131	99
Others	—	2
Total intangible assets	276	249
Investments and other assets		
Investment securities	31,580	40,978
Stocks of subsidiaries and affiliates	25,022	25,744
Investments in capital of subsidiaries and affiliates	157	157
Long-term loans receivable	769	46
Long-term loans receivable from subsidiaries and affiliates	8,234	7,486
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,543	2,343
Long-term prepaid expenses	12	14
Others	231	266
Allowance for doubtful accounts	-1,919	-1,857
Total investments and other assets	66,632	75,178
Total noncurrent assets	91,693	110,034
Total assets	118,677	127,797

(Unit: million yen)

	Fiscal 2012 (As of March 31, 2012)	Fiscal 2013 (As of March 31, 2013)
Liabilities		
Current liabilities		
Current portion of long-term loans payable	10,613	7,153
Lease obligations	38	38
Accounts payable-other	310	1,751
Accrued expenses	38	21
Income taxes payable	1,540	132
Accrued consumption taxes	—	44
Deposits received	1,677	9,097
Provision for bonuses	39	43
Provision for directors' bonuses	25	34
Total current liabilities	14,283	18,316
Noncurrent liabilities		
Long-term loans payable	12,386	9,733
Lease obligations	109	71
Deferred tax liabilities	7,935	11,183
Deferred tax liabilities for land revaluation	1,142	1,138
Provision for retirement benefits	6	7
Provision for loss on guarantees	73	30
Asset retirement obligations	90	92
Negative goodwill	519	336
Others	420	257
Total noncurrent liabilities	22,685	22,850
Total liabilities	36,968	41,167

(Unit: million yen)

	Fiscal 2012 (As of March 31, 2012)	Fiscal 2013 (As of March 31, 2013)
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus		
Legal capital surplus	46,177	46,177
Other capital surplus	790	790
Total Capital surplus	46,967	46,967
Retained earnings		
Legal retained earnings	664	664
Other retained earnings		
Reserve for reduction entry of land	1,141	1,150
General reserve	6,336	6,336
Retained earnings brought forward	13,726	17,450
Total retained earnings	21,868	25,601
Treasury stock	-4,076	-9,069
Total shareholders' equity	75,409	74,149
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	10,576	16,767
Revaluation reserve for land	-4,278	-4,286
Total valuation and translation adjustments	6,298	12,481
Total net assets	81,708	86,630
Total liabilities and net assets	118,677	127,797

(2) Profit and Loss Statement

(Unit: million yen)

	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Operating revenue		
Income of management guidance	1,024	1,067
Income of real estate rent	1,439	1,480
Dividends income	1,219	3,604
Total Operating revenue	3,683	6,151
Operating expenses		
Real estate related expenses	800	848
General and administrative expenses		
Directors' compensations, salaries and allowances	674	745
Provision for bonuses	39	43
Provision for directors' bonuses	25	34
Provision for retirement benefits	0	0
Welfare expenses	72	116
Advertising expenses	144	147
Vehicle expenses	1	1
Provision of allowance for doubtful accounts	123	-81
Depreciation	170	81
Rent expenses	144	159
Taxes and dues	138	109
Commission fee	217	229
Others	216	245
Total operating expenses	2,771	2,682
Operating income	912	3,469
Non-operating income		
Interest income	486	343
Dividend income	687	846
Commission fee	78	81
Real estate rent	4	4
Amortization of negative goodwill	803	183
Foreign exchange gains	—	203
Others	51	312
Total non-operating income	2,113	1,975
Non-operating expenses		
Interest expenses	425	344
Commitment fee	6	2
Miscellaneous loss	27	39
Total non-operating expenses	459	386
Ordinary income	2,565	5,059

(Unit: million yen)

	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Extraordinary income		
Gain on sales of noncurrent assets	0	—
Gains on sales of investment securities	3,266	43
Gain on redemption of investment securities	—	258
Gain on extinguishment of tie-in shares	2,652	—
Gain on reversal of subscription rights to shares	62	—
Gift of money for disasters	212	—
Total extraordinary income	6,195	301
Extraordinary loss		
Loss on disposal of noncurrent assets	45	15
Loss on sales of investment securities	2	—
Loss on valuation of investment securities	16	1
Impairment loss	104	34
Loss on disaster	42	—
Others	0	—
Total extraordinary loss	211	51
Income before income taxes	8,549	5,308
Income taxes-current	1,817	267
Income taxes-deferred	-507	140
Total income taxes and other	1,309	407
Net income	7,240	4,901

(3) Statement of Changes in Shareholders' Equity

(Unit: million yen)

	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Shareholder's Equity		
Capital stock		
Balance at the end of previous period	10,649	10,649
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	10,649	10,649
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	42,917	46,177
Changes of items during the period		
Issuance of new shares	3,259	—
Total changes of items during the period	3,259	—
Balance at the end of current period	46,177	46,177
Other capital surplus		
Balance at the end of previous period	790	790
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of the current period	790	790
Total capital surplus		
Balance at the end of previous period	43,707	46,967
Changes of items during the period		
Issuance of new shares	3,259	—
Total changes of items during the period	3,259	—
Balance at the end of the current period	46,967	46,967
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	664	664
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of the current period	664	664
Other retained earnings		
Reserve for reduction entry of land		
Balance at the end of previous period	1,075	1,141
Changes of items during the period		
Reversal of reserve for reduction entry of land	-19	-9
Provision of reserve for reduction entry of land	—	18
Increase in the reserve with the change in the effective corporate income tax rates	85	—
Total changes of items during the period	65	9
Balance at the end of the current period	1,141	1,150

(Unit: million yen)

	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
General reserve		
Balance at the end of previous period	6,336	6,336
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of the current period	6,336	6,336
Retained earnings brought forward		
Balance at the end of previous period	7,875	13,726
Changes of items during the period		
Dividends from surplus	-1,197	-1,176
Current net income	7,240	4,901
Reversal of reserve for reduction entry of land	19	9
Provision of reserve for reduction entry of land		-18
Increase in the reserve with the change in the effective corporate income tax rates	-85	—
Reversal of revaluation reserve for land	-124	7
Total changes of items during the period	5,851	3,723
Balance at the end of the current period	13,726	17,450
Total retained earnings		
Balance at the end of previous period	15,951	21,868
Changes of items during the period		
Dividends from surplus	-1,197	-1,176
Current net income	7,240	4,901
Reversal of reserve for reduction entry of land	—	—
Provision of reserve for reduction entry of land	—	—
Increase in the reserve with the change in the effective corporate income tax rates	—	—
Reversal of revaluation reserve for land	-124	7
Total changes of items during the period	5,917	3,732
Balance at the end of the current period	21,868	25,601
Treasury stock		
Balance at the end of previous period	-87	-4,076
Changes of items during the period		
Purchase of treasury stock	-3,989	-4,993
Total changes of items during the period	-3,989	-4,993
Balance at the end of current period	-4,076	-9,069
Total shareholder’s equity		
Balance at the end of previous period	70,221	75,409
Changes of items during the period		
Issuance of new shares	3,259	—
Dividends from surplus	-1,197	-1,176
Current net income	7,240	4,901

Purchase of treasury stock	-3,989	-4,993
Reversal of revaluation reserve for land	-124	7
Total changes of items during the period	5,188	-1,260

(Unit: million yen)

	Fiscal 2012 (From April 1, 2011 to March 31, 2012)	Fiscal 2013 (From April 1, 2012 to March 31, 2013)
Balance at the end of current period	75,409	74,149
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	8,392	10,576
Changes of items during the period		
Net changes of items other than shareholders' equity	2,184	6,190
Total changes of items during the period	2,184	6,190
Balance at the end of the current period	10,576	16,767
Revaluation reserve for land		
Balance at the end of previous period	-4,544	-4,278
Changes of items during the period		
Net changes of items other than shareholders' equity	266	-7
Total changes of items during the period	266	-7
Balance at the end of current period	-4,278	-4,286
Total valuation and translation adjustments		
Balance at the end of previous period	3,848	6,298
Changes of items during the period		
Net changes of items other than shareholders' equity	2,450	6,182
Total changes of items during the period	2,450	6,182
Balance at the end of the current period	6,298	12,481
Subscription rights to shares		
Balance at the end of previous period	62	—
Changes of items during the period		
Net changes of items other than shareholders' equity	-62	—
Total changes of items during the period	-62	—
Balance at the end of the current period	—	—
Total net assets		
Balance at the end of previous period	74,132	81,708
Changes of items during the period		
Issuance of new shares	3,259	—
Dividends from surplus	-1,197	-1,176
Current net income	7,240	4,901
Purchase of treasury stock	-3,989	-4,993
Reversal of revaluation reserve for land	-124	7
Net changes of items other than shareholders' equity	2,387	6,182
Total changes of items during the period	7,576	4,922
Balance at the end of current period	81,708	86,630