Summary of Consolidated Financial Results of Fiscal 2014

May 9, 2014

Name of Listed Company: TOHO HOLDINGS CO., LTD. Listed: Tokyo Stock Exchange
Securities Code Number: 8129 URL: http://www.tohohd.co.jp
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Planned Date of General Meeting of Shareholders: Jun 27, 2014 Planned Date of Dividends Payment: Jun 9, 2014
Planned Date of Filing of Annual Securities: Jun 27, 2014
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 2014 (from April 1, 2013 to March 31, 2014)

(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 2014	1,189,627	4.3	12,328	-6.2	18,303	-6.5	10,407	-9.7
Fiscal 2013	1,140,364	2.9	13,150	13.9	19,585	10.5	11,526	7.1

(Note) Comprehensive income: Fiscal 2014:10,238 million yen (-45.1%); Fiscal 2013:18,640 million yen (46.2%)

	Current Net Income per Share	Current Net Income per Share - Diluted	Return on Equity	Ordinary Income/ Total Assets	Operating Income/ Net Sales
	Yen	Yen	%	%	%
Fiscal 2014	139.58	139.54	7.4	3.2	1.0
Fiscal 2013	159.21	－	9.0	3.6	1.4

(Reference) Equity in earnings (losses) of equity-method investees : Fiscal 2014: 90 million yen; Fiscal 2013: 86 million yen
(Note) Since the Company changed its method of representation of financial statements since the fiscal year ending March 2014, financial data for the third quarter of the fiscal year ended March 2013 provide the reclassified figures and percent changes from the previous year by retroactively applying the changes in the method of representation. Operating income before reclassification was 15,877 million yen.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder’s Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
Fiscal 2014	580,137	147,190	25.4	1,952.04
Fiscal 2013	562,668	134,272	23.9	1,902.43

(Reference) Shareholder’s equity: Fiscal 2014: 147,162 million yen; Fiscal 2013: 134,272 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 2014	-18,636	-7,957	2,966	14,257
Fiscal 2013	24,558	-10,453	-15,997	37,368

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 2013	－	8.00	－	8.00	16.00	1,151	10.0	0.9
Fiscal 2014	－	10.00	－	10.00	20.00	1,510	14.3	1.0
Fiscal 2015 (Projected)	－	12.00	－	12.00	24.00		14.2	

Breakdown of dividends FY 2014; the commemorative dividend of 4.00 yen, the ordinary dividend of 16.00 yen.

3. Consolidated Projected Results of Operations during Fiscal Year 2015 (from April 1, 2014 to March 31, 2015)

(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 2015	594,000	2.6	6,500	22.7	9,400	12.1	5,800	18.0	76.93
Year-end	1,221,000	2.6	15,600	26.5	21,100	15.3	12,700	22.0	168.46

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: N.A.
(iv) Correction and Restatement: N.A

(3) Number of shares outstanding (Common stock)

(i) Number of shares outstanding at end of fiscal year (Including common stock for treasury)	FY2014	78,270,142	FY2013	78,270,142
(ii) Number of treasury stocks at end of fiscal year	FY2014	2,881,129	FY2013	7,690,841
(iii) The average number of shares during fiscal year	FY2014	74,563,314	FY2013	72,398,483

(Reference) Summary of Non-consolidated Financial Statements

1. Non-Consolidated Results of Operations for the March 2014 (from April 1, 2013 to March 31, 2014)

(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 2014	5,298	-13.9	2,155	-37.7	3,600	-28.8	3,518	-28.2
Fiscal 2013	6,151	67.0	3,469	280.4	5,059	97.2	4,901	-32.3

	Net Income per Share	Net Income per Share - Diluted
	yen	yen
Fiscal 2014	47.18	47.17
Fiscal 2013	67.69	—

(2) Non-consolidated Financial Position

	Total Asset	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	yen
Fiscal 2014	134,203	99,684	74.3	1,321.68
Fiscal 2013	127,797	86,630	67.8	1,227.22

(Reference) Shareholder's Equity Fiscal 2014 :99,655 million yen Fiscal 2013 : 86,630 million yen

* Status of the implementation of the audit procedure

- The Financial Results of Fiscal 2014 were exempt from the audit procedure based on the Financial Instruments and Exchange Act. As of the Fiscal 2014 disclosure, the audit procedure for the financial statements of Fiscal 2014 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, 2014. 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.

Contents of Attached Document

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

(1)Analysis Concerning Management Result

(Management Results for FY2014)

During the consolidated cumulative period of the fiscal year ending March 2014, to achieve Medium-term Management Plan the Company announced in June 2013, the Company has been promoting proposal-based marketing and sales by taking advantage of its unique customer support systems and implemented a business consolidation involving TOHO PHARMACEUTICAL, a wholly-owned subsidiary of TOHO HOLDINGS, and wholly-owned sub-subsidiaries of the Company, namely Honma Toho, Ogawa Toho, Sue Yakuhin, and Yamaguchi Toho with branch agency system in wholesaling business. And in dispensing pharmacy business, the Company implemented a business consolidation of the seven sub-subsidiaries, the Company tackled to continue boosting their management efficiency and implementing increasingly higher value-added operations by maintaining close contact with community healthcare programs and utilizing the managerial resources of the Group.

As new distribution centers that respond to the expected growth in sales in the near future and the expansion of direct delivery systems to customers and take into account a further improvement of traceability and disaster countermeasures based on lessons from the Great East Japan Earthquake, TBC Hanshin (Itami city, Hyogo prefecture in July 2013), TBC Sapporo (Sapporo city, Hokkaido in October 2013), and TBC Saitama (Kuki city, Saitama prefecture in December 2014) fully started to operate. And the Company established new call centers together with TBC Hanshin and TBC Sapporo for further extension of wholesaling functions and services such as transaction of orders, inquiries from customers and drug information.

AS new systems for customer support, the Company fully started to sale “series of Dispensing ENI-Pharma”, namely a combined system with a receipt making up unit and a medication history recording unit (name of the product: ENI-Pharma), a POS system for dispensing pharmacies connected with a receipt (name of the product: ENI-POS), a inventory management and integrated task support system for dispensing pharmacies (name of the product: ENIF-Honbu), a home medical care management system (Zaitaku ENIF).

These products are highly measured as low-cost and high-quality systems that totally control billing of receipts, POS, management of inventories and home medical care through a network.

Under these circumstances, the Company achieved to experience sales growth that outpaced that of the market, meanwhile, implemented aggressive investments for the future optimization of the Company’s business solutions as distribution centers and call centers. Accordingly the Company incurred expenses impacting the Company’s financial forecasts including the risk aversion to increase inventory and personnel for starting up new distribution center with all possible measures to ensure, and redundancy to office clerks of business office as a result of front-load appointment of personnel in new call center. As these facilities started to work behind schedule, it was ineffective in cost cutting the Company expected during the consolidated fiscal year under.

Thereby, the Company increase in revenue and decrease in profit during the consolidated fiscal year, consolidated net sales for fiscal 2014 were 1,189,627 million yen (4.3% increase compared to the previous year), the consolidated operating income was 12,328 million yen (6.2% decrease compared to the previous year), consolidated ordinary income was 18,303 million yen (6.5% decrease compared to the previous year), consolidated net income was 10,407 million yen (9.7% decrease compared to the previous year).

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

The market for prescription pharmaceuticals followed a steady, albeit slow, upward path supported by some positive factors including the progressive aging of the population and the sales of new bland drugs despite the negative impact of the continuing management policy about health expenditure as seen in the accelerated use of generic drugs. Furthermore, as last-minute demand spurred by the increase of the consumption tax, the market was racking up a 3.8% increase from the previous fiscal year (estimates by Crecon Research & Consulting Inc.).

The Company’s promotion with proposal-based marketing and sales by taking advantage of its unique customer support systems has been highly rated and deepened a stable relationship with medical institutions, Thereby the Company was able to achieve consolidated net sales of 1,144,003 million yen (4.3% increase compared to the previous year) that outpaced that of the market. Though the Company has made efforts to reduce expenses on a company-wide basis, meanwhile, the Company has implemented investment for future; the operating income was 11,466 million yen (2.2% decrease compared to the previous year). In addition, the sales mentioned above include internal sales between segments of 41,840 million yen.

In the field of dispensing pharmacy operations, the Company constantly expanded its business scale through integrating subsidiaries for management efficiency and implementing increasingly higher value-added operations by maintaining close contact with community healthcare programs. despite of the increased expenses for setting up new pharmacies and employing pharmacists. As a result, the net sales were 85,644 million yen (7.0% increase compared to the previous year), and operating income were1,093 million yen (16.4% decrease compared to the previous year).

In the SMO operations, consolidated net sales for fiscal 2014 were 508 million yen (a year-on-year increase of 31.1%) and operating income was 296 million yen (a year-on-year increase of 75.3%), assisted by a constant increase in commissioned business.

In the information equipment sales operations, net sales for fiscal 2014 were 1,626 million yen (a year-on-year increase of 4.1%) and the operating income was 83 million (a year-on-year increase of 8.1%), 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)

As for the prescription pharmaceuticals market, to which the Company belongs, the current fiscal year is the year for the NHI drug price revisions that have reduced the NHI drug price by an average of 2.65% (5.64% excluding tax) including 3.0% increase of the consumption tax last April. And nevertheless the penetration of health care cost control measures such as promotion of the utilization of generic drugs and last-minute demand spurred by the increase of the consumption tax, the market is expected to continue growing steadily but moderately by the sales of new drugs, the further aging of the society, and increase sales of drugs for a lifestyle-related disease as seen in the estimate of 1.6% overall growth on a year-on-year basis (by Crecon Research & Consulting Inc.)

Under these circumstances, in the pharmaceutical wholesaling operations, the Company will continually make efforts to secure appropriate profits by carrying out price negotiations according to the category of drugs based on pricing structure according with value of product, as well as increasing the fee income by expanding its fee-based businesses. Furthermore, the Company will enhance its productivity by strong promoting reconsideration of entire business processes, consolidation of back office work for optimizing personnel, and comprehensive restructure of its delivery system from distribution centers. With regard to the dispensing pharmacy business, the Company will continue boosting their management efficiency and implementing increasingly higher value-added operations by maintaining close contact with community healthcare programs. Accordingly, net sales for the next fiscal year ending March 2015 are projected to be 1,221,000 million yen (up 2.6% from the previous year), with the operating income estimated at 15,600 million yen (up 26.5%), ordinary income, 21,100 million yen (up 15.3%), and net income, 12,700 million yen (up 22.0%).

(2) Analysis Concerning the Financial Position

①State of assets, liabilities, and net assets

(i)Asset

Consolidated current assets as of the end of March 2014 increased 1.3% from the end of the previous consolidated fiscal year to 415,429 million yen, due mainly to an increase in notes and accounts receivable-trade of 18,605 million yen, an increase in merchandise and finished goods of 9,068 million yen, and a decrease in cash and deposits of 22,756 million yen.

Noncurrent assets as of the end of March 2014 increased 8.1% from the end of the previous year to 164,708 million yen, due primarily to an increase in buildings and structures of 12,040 million yen, an increase in land of 2,971 million yen, an increase in lease assets of 7,250 million yen, a decrease in construction in progress of 7,574 million yen, a decrease in goodwill of 2,070 million yen, and a decrease in long-term loans receivable of 2,878 million yen.

As a result, consolidated total assets as of the end of March 2014 increased 3.1% from the end of the previous consolidated fiscal year to 580,137 million yen.

(ii)Liability

Current liabilities decreased 0.8% from the end of the previous consolidated fiscal year to 390,299 million yen with an increase in short-term loans payable of 3,495 million yen, a decrease in notes and accounts payable-trade of 1,629 million yen, and a decrease in income taxes payable of 3,179 million yen.

Noncurrent liabilities increased 22.6% from the end of the previous consolidated fiscal year to 42,647 million yen with an increase in long-term loans payable of 1,834 million yen, an increase in lease obligations of 5,950 million yen, and a decrease in negative goodwill of 713 million yen.

As a result, total liabilities increased 1.1% year-on-year to 432,947 million yen.

(iii)Net assets

Total net assets were up 9.6% from the end of the previous consolidated fiscal year to 147,190 million yen, with an increase in capital surplus of 1,670 million yen, an increase in retained earnings of 5,798 million yen, and a decrease in treasury stocks of 5,592 million yen.

②Cash Position

Cash and cash equivalents (hereinafter referred to as “cash”) during this consolidated fiscal year decreased by 23,111 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 14,257 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 outflow of 18,636 million yen (a decrease of 43,195 million yen on a year-on-year basis). Although inflow was secured by some positive factors such as income before income taxes of 17,907 million yen, and depreciation of 3,709 million yen, these were somewhat offset by negative factors including an increase in notes and accounts receivable-trade of 16,280 million yen, an increase in inventories of 8,929 million yen, a decrease in notes and accounts payable-trade of 3,898 million and income taxes paid of 10,045 million yen.

(ii) Cash Flows from Investing Activities

Cash flow from investing activities was an outflow of 7,957 million yen (an increase of 2,495 million yen from the previous year). Positive factors, such as proceeds from sales of property, plant and equipment of 933 million yen, were totally offset by negative factors including purchase of property, plant and equipment of 5,921 million yen, and purchase of intangible assets of 1,530 million yen, and purchase of stocks of subsidiaries and affiliates of 1,422 million yen.

(iii) Cash Flows from Financing Activities

Cash flow from financing activities was an inflow of 2,966 million yen (an increase of 18,964 million yen from the previous year). Positive factors, such as a net increase in short-term loans payable of 3,495 million yen, and a increase in sales of treasury stock of 7,601 million yen, were totally offset by negative factors including a net decrease in long-term loans payable of 5,260 million yen, repayments of finance lease obligations of 1,200 million yen, and cash dividends paid of 1,320 million yen.

(Reference) Trends in key indicators of cash flows

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Shareholder's Equity Ratio (%)	20.6	21.4	22.7	23.9	25.4
Shareholder's Equity Ratio at Market Value (%)	18.4	13.0	20.2	27.3	28.4
Ratio of cash flows to interest-bearing debts (%)	1,838.8	363.6	151.3	83.0	—
Interest Coverage Ratio (time)	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. We also seek to retain adequate earnings to augment the Company's earnings structure and to provide for future market fluctuations. The Company added a 65th anniversary paid commemorative dividend of 4 yen to a common dividend of 16 yen and paid a total of 20 yen in fiscal 2014. The Company plans to add a 5th anniversary of shift to Holdings company system paid commemorative dividend of 4 yen to a common dividend of 20 yen added 4 yen to a common dividend of 16 yen last fiscal year, and pay a total of 24 yen per share.

(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 9, 2014).

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," 54 subsidiaries, and 14 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 6 consolidated subsidiaries (TOHO PHARMACEUTICAL, Kyushu Toho, SAYWELL, Koyo, Godo Toho, SQUARE・ONE), three 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 27 subsidiaries (Dispensing pharmacies business : Phrama-Daiwa, J. Mirai Medical, Pharma Mirai, Seiko Medical Brain, VEGA PHARMA, Cure, and 21 others) and 6 affiliated companies (Wakaba, and five others).

Toho System Service (a consolidated subsidiary) is chiefly engaged in mission-critical system operations such as data processing for the Kyoso Mirai Group (consisting of the Company, and affiliated companies and companies tying up with us whose mainstay is pharmaceutical wholesaling). And THINK-ONE (a consolidated subsidiary) undertakes real estate agency operations.

(2) Dispensing Pharmacies Operations

The Company's 6 consolidated subsidiaries (Phrama-Daiwa, J. Mirai Medical, Pharma Mirai, Seiko Medical Brain, VEGA PHARMA, Cure), 21 non-consolidated subsidiaries and 6 associate companies (Wakaba, and 5 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

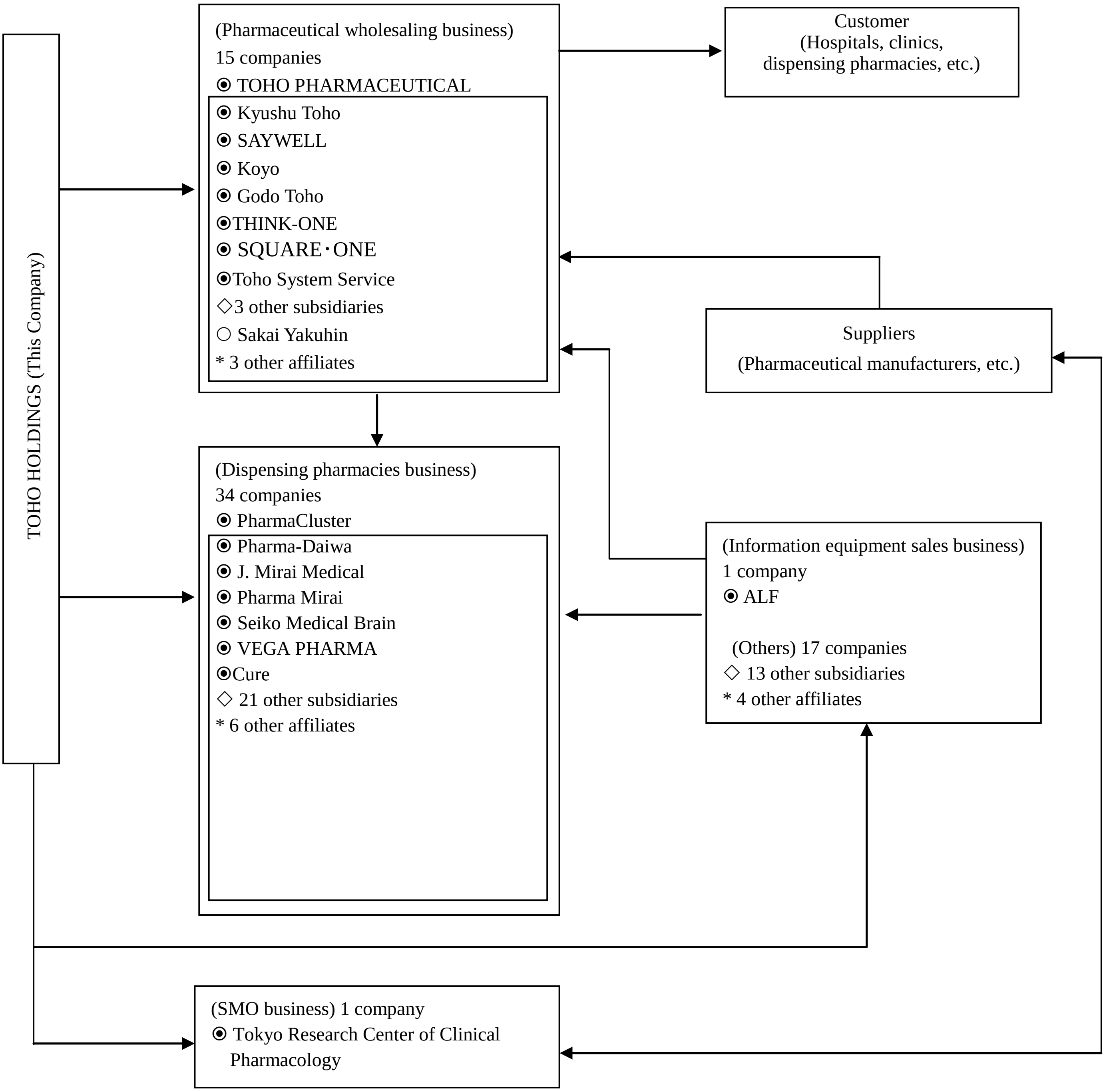
The Tokyo Research Center of Clinical Pharmacology, a consolidated subsidiary, undertakes SMO (Site Management Organization) operations.

(4) Information Equipment Sales Operations

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

Other companies (13 non-consolidated subsidiaries and four 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.



Legend
⦿ denotes consolidated subsidiary (17 in total)
◇ denotes non-consolidated non-equity-method subsidiary (37 in total)
○ denotes equity-method affiliate (1 in total)
* denotes non-equity-method affiliate (13 in total)

[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.
SAYWELL	Nishi -ku, Hiroshima City, Hiroshima	95	Pharmaceutical wholesaling	100.00 （100.00）	Supplied pharmaceuticals by TOHO PHARMACEUTICAL, a consolidated subsidiary. Company represented on Board of Directors.
Koyo	Takamatsu City, Kagawa	72	Pharmaceutical wholesaling	100.00 （100.00）	Supplied pharmaceuticals by TOHO PHARMACEUTICAL, a consolidated subsidiary. Company represented on Board of Directors.
Godo Toho	Hirano-ku, Osaka City, Osaka	45	Pharmaceutical wholesaling	100.00 （100.00）	Supplied pharmaceuticals by TOHO PHARMACEUTICAL, a consolidated subsidiary. Company represented on Board of Directors.
THINK-ONE	Setagaya -ku, Tokyo	10	Real estate agency	100.00 （100.00）	Supported financially by the Company.
SQUARE-ONE	Chuoh-ku, Sapporo City, Hokkaido	100	Pharmaceutical wholesaling	40.00 （40.00）	Supplied pharmaceuticals by TOHO PHARMACEUTICAL, a consolidated subsidiary. Supported financially by the Company.
Toho System Service	Setagaya-ku, Tokyo	10	Information processing	100.00	Processes data and creates software for Company, associated companies, etc. Distributes software to medical institutions jointly with Company. Company represented on Board of Directors.
Pharma Cluster	Chiyoda-ku, Tokyo	10	Management of dispensing pharmacy business companies	100.00	Management guidance, Company represented on Board of Directors. Supported financially by the Company.
Pharma-Daiwa	Minami-ku, Kumamoto City, Kumamoto	100	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary.
J.Mirai Medical	Neyagawa City, Osaka	100	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary. Supported financially by Company.
Pharma Mirai	Setagaya-ku, Tokyo	50	Operation of dispensing pharmacies and small-lot wholesaling of pharmaceuticals	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary. Supported financially by Company.

Name	Location	Capital (Million yen)	Main Business Description	Company's Voting Ownership (%)	Detailed Relationship with Company
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.
Cure	Nagaoka City, Niigata	5	Operation of dispensing pharmacies	100.00 (100.00)	Supplied pharmaceuticals by a consolidated subsidiary.
Tokyo Research Center of Clinical Pharmacology	Shinjuku -ku, Tokyo	401	SMO	100.00	Supported financially by Company. Company represented on Board of Directors.
ALF	Setagaya-ku, Tokyo	90	Manufacture and marketing of information processing equipment	92.32 (0.83)	Engaged in marketing of the Group's customer support systems. Company represented on Board of Directors. 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. No subsidiaries and affiliates above submit registration statements and annual securities reports.

3. TOHO PHARMACEUTICAL is a specified subsidiary.

4. Sales from TOHO PHARMACEUTICAL and SAYWELL (excluding internal sales posted between consolidated companies) account for more than 10% of total consolidated sales.

Major profit/loss information

(i) TOHO PHARMACEUTICAL	①Net sales	1,125,725 million yen
	②Ordinary income	11,851 million yen
	③Net income	13,872 million yen
	④Net Assets	45,673 million yen
	⑤Total Assets	455,183 million yen
(i i) SAYWELL	①Net sales	150,357 million yen
	②Ordinary income	2,638 million yen
	③Net income	1,442 million yen
	④Net Assets	28,184 million yen
	⑤Total Assets	65,144 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. It works to ensure a heightened level of compliance across the Company and the Group especially as it is concerned with the Pharmaceutical Affairs Law and related laws and regulations, the Antimonopoly Law and other laws and regulations for establishing fair competition, such as Act against Unjustifiable Premiums and Misleading Representations (Fair Competition Code), that were defined as laws of great importance for the Company by Ethical Code of Kyoso Mirai Group in April 2011. Since the internal controls over financial reporting set out in the Financial Instruments and Exchange Law came into effect in FY2008, the Company has evaluated the validity of company-wide internal controls, selected work processes subject to assessment based on the results of the evaluation, and now assesses the validity of internal controls over relevant work processes. The Company will continue to maintain and operate the validity of internal controls.

＜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. At the end of March 2014, The Company achieved the management indicators for the receivable turnover period (six-month average) of 2.65 months and stock turnover (six-month average) of 0.80 months. 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 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.
And the Company partially transferred its headquarters to GranTokyo South Tower that has higher-level earthquake - resistant construction among skyscrapers around 200m class and a private power generation of itself for 48 hours running.

<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 Japan Pharmaceutical Wholesalers Association's statement concerning deal with medical institutions in March 2012, 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 Group, and a transaction with a clear statement in advance of the contract terms
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. For the purpose of optimizing the managerial resources of the entire Group, maximizing the corporate value, and quickly responding to the dramatically changing business environment, Koizumi Yakuhin merged into TOHO PHARMACEUTICAL on July 1, 2013, and Honma Toho, Ogawa Toho, Sue Yakuhin, and Yamaguchi Toho, located in Northern Kanto District and Koushinetsu District, merged into TOHO PHARMACEUTICAL on1st October 2013. And Okinawa Sawai Pharmaceutical merged into Okinawa Toho on 1st January 2014.

<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 sets "Total Commitment to Good Health" as its group slogan, believes its obligation to contribute to health of people all over the country throughout medication and pharmaceuticals. The Company recognizes that it necessary to seek new function and service in response to diversified needs in association with transformation of social construction, further aging of the society and variation of medical circumstance. The Company would like to contribute to local medication and nursing, cooperated by doctors, nurses, care managers, and pharmacists of dispensing pharmacies, by its "medical materials wholesaling in small lots" (name of the service: ENIFme) under the circumstances that medications in this country shift to "local-contained medications". Meanwhile, it becomes clearly that informing local medications and health are tasks of dispensing pharmacies. 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, and with "eKenkoshop" they would utilize both convenience of Internet and appropriate medication counseling by pharmacists, furthermore, the Company believes it contributes to realize true "regional family pharmacies" as a front

line of health care. Besides, Specialty Pharmaceuticals are always specialized in particular area such as rare diseases and difficult to treat, thus the Company, as a pharmaceutical wholesaler, is required to have new role and function to maximize value of these pharmaceuticals. "Orphan Trust Japan Co., Ltd", established in April 2013, will deal with distribution utilizing know-how the Company achieved from exclusive rights to market about some specialty pharmaceuticals, to responds to diversifying market.
And the Company, jointly with Jointown Pharmaceutical Group Co., Ltd. (headquartered in Wuhan City, Hubei Province, P.R. China), have established and commenced operations of Hubei Kyoso Pharmaceutical Co., Ltd. (headquartered in Wuhan City, Hubei Province, P.R. China), a joint venture company engaged in the wholesale of pharmaceutical products, medical equipment, health foods, health-related products, and other products of Japanese and other overseas manufacturers to hospitals, clinics, and chemists in China.

<Profitability>
The Company is understands that the Kyoso Mirai Group has made more significant efforts for the benefits of scale and cost reduction than these of its competitors. From now on, in addition to activities to maximize 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 manufacturers of importance, 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.
To respond to the expected growth in sales in the near future and the expansion of direct delivery systems to customers and take into account a further improvement of traceability and disaster countermeasures based on lessons from the Great East Japan Earthquake, TBC Hanshin (Itami city, Hyogo prefecture in July 2013) and TBC Sapporo (Sapporo city, Hokkaido in October 2013) have commenced operation. And TBC Saitama (Kuki city, Saitama prefecture), with automated and optimized facilities unparalleled in history such as high-end technologies and robots, have commenced operation in December 2013. The Company realized automated management of items location based on lot numbers, new delivery systems by innovative equipments such as robots for manpower saving and optimization in these distribution centers. And the Company implements redundant host computers and networks of inventories management, uninterruptible power supplies, and scheduled fire drills, for the purpose that the Company would supply pharmaceuticals with stability even in case of emergency.
Furthermore, the Company purchased a lot in Kitakami city, Iwate prefecture for a new distribution center covered Tohoku District in July 2013, and the company plans this center will fully start up 2015.

<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 such as reaction of doctors 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, at three call centers, Tokyo, Nishi-Nihon, and Sapporo, the Company has dealt with orders, inquiries about the Company's services, demands, and requests from customers, and offered drug information (DI) for sales promotion. The Company has improved its customer care by an automatic speech recognition system and CTI （Computer Telephony Integration）. In addition, the Company will optimize and improve its services by consolidating office work functions of sales offices at the call centers with a new work flow system,

<Customer Support System>
With the Company's proprietary, differentiated customer support systems developed from completely customer-oriented and patient-oriented perspectives, the Company seeks solution to business challenges of medical institutions and convenience of general consumers. And the Company has 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, ENIFvoice SP (a voice-recognition medication history recording support system), ENIFwin Nex-Sus (An integrated in-hospital distribution and inventory-management system), and ENIFme (medical materials wholesaling in small lots), 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, t the Company fully started to sale “series of Dispensing ENI-Pharma”, namely a combined system with a receipt making up unit and a medication history recording unit (name of the product: ENI-Pharma), a POS system for dispensing pharmacies connected with a receipt (name of the product: ENI-POS), a inventory management and integrated task support system for dispensing pharmacies (name of the product: ENIF-Honbu), a home medical care management system (Zaitaku ENIF). These products are highly measured as low-cost and high-quality systems that totally control billing of receipts, POS, management of inventories and home medical care through a network.

≪Dispensing Pharmacy Business≫

＜Dispensing Pharmacy Operations＞

The Group will extend across-the-board support for the sound management of “regional family pharmacies” and “pharmacies for regional health care”, 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 five committees (about strengthen function of pharmacies, training, development of products, support for in home nursing, and general affairs), and hold regional seminars on a regularly scheduled basis, which are difficult for each individual dispensing pharmacy to solve.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	Fiscal 2013 (As of March 31, 2013)	Fiscal 2014 (As of March 31, 2014)
Assets		
Current assets		
Cash and deposits	*3 41,119	*3 18,362
Notes and accounts receivable-trade	263,136	281,742
Short-term investment securities	502	502
Merchandise and finished goods	72,356	81,424
Deferred tax assets	2,880	2,005
Purchase rebates receivable	13,906	13,691
Others	16,941	18,349
Allowance for doubtful accounts	-557	-649
Total current assets	410,286	415,429
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	*3 20,343	*3 32,384
Vehicles, net	28	34
Land	*3,*5 39,340	*3,*5 42,312
Lease assets, net	2,304	9,554
Construction in progress	7,694	120
Others	998	1,168
Total property, plant and equipment	*1 70,710	*1 85,574
Intangible assets		
Goodwill	12,660	10,590
Others	3,026	3,419
Total intangible assets	15,686	14,009
Investments and other assets		
Investment securities	*2,*3 55,216	*2,*3 57,071
Long-term loans receivable	3,801	922
Deferred tax assets	430	616
Others	*2 8,517	*2 8,159
Allowance for doubtful accounts	-1,981	-1,644
Total investments and other assets	65,985	65,125
Total noncurrent assets	152,382	164,708
Total assets	562,668	580,137
Liabilities		
Current liabilities		
Notes and accounts payable-trade	*3 363,606	*3 361,976
Short-term loans payable	*6 2,425	*6 5,921
Current portion of bonds	10	—
Current portion of long-term loans payable	*3 7,458	*3 6,279
Lease obligations	991	2,212
Income taxes payable	6,465	3,285
Accrued expenses	2,419	2,422
Provision for bonuses	3,636	3,562
Provision for directors' bonuses	105	80
Provision for sales returns	299	302
Asset retirement obligations	—	45
Others	6,194	4,210
Total current liabilities	393,611	390,299

Noncurrent liabilities		
Long-term loans payable	*3 10,474	*3 12,308
Lease obligations	2,035	7,985
Deferred tax liabilities	15,097	15,467
Provision for retirement benefits	2,074	—
Net defined benefit liability	—	1,527
Deferred tax liabilities for land revaluation	*5 1,138	*5 1,136
Asset retirement obligations	879	1,080
Negative goodwill	1,177	464
Others	1,907	2,677
Total noncurrent liabilities	34,785	42,647
Total liabilities	428,396	432,947
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	46,144	47,814
Retained earnings	78,100	83,898
Treasury stock	-9,030	-3,437
Total shareholders' equity	125,864	138,926
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,716	12,547
Revaluation reserve for land	*5 -4,308	*5 -4,311
Total accumulated other comprehensive income	8,407	8,236
Subscription rights to shares	—	28
Total net assets	134,272	147,190
Total liabilities and net assets	562,668	580,137

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

Consolidated Profit and Loss Statement

(Unit: million yen)

	Fiscal 2013 (From April 1, 2012 to March 31, 2013)	Fiscal 2014 (From April 1, 2013 to March 31, 2014)
Net sales	1,140,364	1,189,627
Cost of sales	1,038,358	1,084,520
Gross profit	102,005	105,107
Provision for sales returns	7	3
Gross profit-net	101,998	105,103
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	45,017	46,162
Provision for bonuses	3,614	3,541
Provision for directors' bonuses	105	80
Provision for retirement benefits	262	—
Retirement benefit expenses	—	203
Provision of allowance for doubtful accounts	-114	-156
Welfare expenses	7,555	7,865
Vehicle expenses	1,520	1,576
Depreciation	2,913	3,709
Amortization of goodwill	2,404	2,390
Rent expenses	7,050	7,161
Taxes and dues	1,140	1,361
Expense before deduction of the temporary consumption tax payment	2,727	3,039
Others	14,648	15,839
Total selling, general and administrative expenses	88,484	92,774
Operating income	13,150	12,328
Non-operating income		
Interest income	142	95
Dividend income	1,011	1,032
Commission fee	2,914	3,073
Real estate rent	411	1,218
Amortization of negative goodwill	919	736
Equity in earnings of affiliates	86	90
Others	1,744	908
Total non-operating income	7,231	7,155
Non-operating expenses		
Interest expenses	387	410
Commitment fee	49	45
Expenses of real estate rent	—	548
Others	358	177
Total non-operating expenses	795	1,181
Ordinary income	19,585	18,303

(Unit: million yen)

	Fiscal 2013 (From April 1, 2012 to March 31, 2013)	Fiscal 2014 (From April 1, 2013 to March 31, 2014)
Extraordinary income		
Gain on sales of noncurrent assets	*1 274	*1 370
Gain on transfer of business	107	—
Gain on redemption of investment securities	258	—
Others	146	51
Total extraordinary income	787	421
Extraordinary losses		
Loss on disposal of noncurrent assets	*2 447	*2 446
Impairment loss	*3 282	*3 346
Others	32	25
Total extraordinary losses	762	817
Income before income taxes	19,610	17,907
Income taxes-currents	8,589	6,388
Income taxes-deferred	-505	1,112
Total income taxes	8,084	7,500
Income before minority interests	11,526	10,407
Minority interests in loss	—	—
Net income	11,526	10,407

Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Fiscal 2013 (From April 1, 2012 to March 31, 2013)	Fiscal 2014 (From April 1, 2013 to March 31, 2014)
Income before minority interests	11,526	10,407
Other comprehensive income		
Valuation difference on available-for-sale securities	7,069	-164
Share of other comprehensive income of associates accounted for using equity method	44	-4
Total other comprehensive income	*1 7,114	*1 -168
Comprehensive income	18,640	10,238
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	18,640	10,238
Comprehensive income attributable to minority interests	—	—

(3) Consolidated Statement of Changes in Shareholders' Equity

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

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the end of previous period	10,649	46,144	67,536	-4,036	120,293
Changes of items during the period					
Change of scope of consolidation			206		206
Dividends from surplus			-1,176		-1,176
Net income			11,526		11,526
Purchase of treasury stock				-4,993	-4,993
Disposal of treasury stock		—		—	—
Decrease by corporate division			—		—
Reversal of revaluation reserve for land			7		7
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	10,564	-4,993	5,571
Balance at the end of current period	10,649	46,144	78,100	-9,030	125,864

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income		
Balance at the end of previous period	5,602	-4,301	1,300	—	121,594
Changes of items during the period					
Change of scope of consolidation					206
Dividends from surplus					-1,176
Net income					11,526
Purchase of treasury stock					-4,993
Disposal of treasury stock					—
Decrease by corporate division					—
Reversal of revaluation reserve for land					7
Net changes of items other than shareholders' equity	7,114	-7	7,106	—	7,106
Total changes of items during the period	7,114	-7	7,106	—	12,677
Balance at the end of current period	12,716	-4,308	8,407	—	134,272

Fiscal 2014 (From April 1, 2013 to March 31, 2014)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the end of previous period	10,649	46,144	78,100	-9,030	125,864
Changes of items during the period					
Change of scope of consolidation			-3,274		-3,274
Dividends from surplus			-1,320		-1,320
Net income			10,407		10,407
Purchase of treasury stock				-338	-338
Disposal of treasury stock		1,670		5,930	7,601
Decrease by corporate division			-15		-15
Reversal of revaluation reserve for land			2		2
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	1,670	5,798	5,592	13,061
Balance at the end of current period	10,649	47,814	83,898	-3,437	138,926

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income		
Balance at the end of previous period	12,716	-4,308	8,407	—	134,272
Changes of items during the period					
Change of scope of consolidation					-3,274
Dividends from surplus					-1,320
Net income					10,407
Purchase of treasury stock					-338
Disposal of treasury stock					7,601
Decrease by corporate division					-15
Reversal of revaluation reserve for land					2
Net changes of items other than shareholders' equity	-168	-2	-171	28	-142
Total changes of items during the period	-168	-2	-171	28	12,918
Balance at the end of current period	12,547	-4,311	8,236	28	147,190

(4) Consolidated Statements of Cash Flows

(Unit: million yen)

	Fiscal 2013 (From April 1, 2012 to March 31, 2013)	Fiscal 2014 (From April 1, 2013 to March 31, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes	19,610	17,907
Depreciation	2,913	3,709
Impairment loss	282	346
Amortization of goodwill	2,404	2,390
Amortization of negative goodwill	-919	-736
Increase (decrease) in provision for retirement benefits	58	—
Increase (decrease) in net defined benefit liability	—	-607
Increase (decrease) in provision for sales returns	7	3
Increase (decrease) in provision for bonuses	132	-100
Increase (decrease) in provision for directors' bonuses	13	-24
Increase (decrease) in allowance for doubtful accounts	-272	-459
Interest and dividends income	-1,153	-1,128
Interest expense	387	410
Loss (gain) on sales and retirement of noncurrent assets	173	75
Loss (gain) on sales and valuation of investment securities	-38	2
Loss (gain) on redemption of investment securities	-258	—
Loss (gain) on sales of golf club memberships	0	—
Loss on valuation of golf club memberships	—	0
Decrease (increase) in notes and accounts receivable-trade	3,931	-16,280
Decrease (increase) in inventories	-11,396	-8,929
Decrease (increase) in other assets	-743	-1,586
Increase (decrease) in notes and accounts payable-trade	16,788	3,898
Increase (decrease) in other liabilities	-110	-477
Increase (decrease) in accrued consumption taxes	-912	19
Others	-4,317	-4,086
Subtotal	26,579	-13,451
Interest and dividends income received	1,160	1,134
Interest expenses paid	-424	-515
Income taxes paid	-6,194	-10,045
Others	3,438	4,241
Net cash provided by (used in) operating activities	24,558	-18,636

(Unit: million yen)

	Fiscal 2013 (From April 1, 2012 to March 31, 2013)	Fiscal 2014 (From April 1, 2013 to March 31, 2014)
Net cash provided by (used in) investment activities		
Payments into time deposits	-769	-88
Proceeds from withdrawal of time deposits	1,773	165
Purchase of property, plant and equipment	-11,026	-5,921
Proceeds from sales of property, plant and equipment	1,612	933
Purchase of intangible assets	-838	-1,530
Proceeds from sales of intangible assets	7	13
Purchase of investment securities	-520	-316
Proceeds from sales and redemption of investment securities	1,471	51
Purchase of stocks of subsidiaries and affiliates	-1,484	-1,422
Proceeds from sales of stocks of subsidiaries and affiliates	54	12
Expenditures for the performance of asset retirement obligations	-6	-6
Payments of loans receivable	-1,742	-53
Collection of loans receivable	1,195	201
Other	-179	5
Net cash provided by (used in) investment activities	-10,453	-7,957
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-2,109	3,495
Proceeds from long-term loans payable	5,077	3,233
Repayment of long-term loans payable	-11,801	-8,494
Redemption of bonds	-20	-10
Purchase of treasury stock	-4,993	-338
Proceeds from disposal of treasury stock	—	7,601
Repayments of finance lease obligations	-974	-1,200
Cash dividends paid	-1,176	-1,320
Net cash provided by (used in) financing activities	-15,997	2,966
Effect of exchange rate change on cash and cash equivalents	203	117
Net increase (decrease) in cash and cash equivalents	-1,688	-23,510
Cash and cash equivalents at beginning of period	38,588	37,368
Increase in cash and cash equivalents resulting from merger	120	58
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	347	341
Decrease in cash and cash equivalents resulting from corporate division	—	-0
Cash and cash equivalents at end of period	*1 37,368	*1 14,257

(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: 17

The identities of primary consolidated subsidiaries are provided in “State of Associated Companies.”

In wholesaling business, THINK-ONE and Square-One became a consolidated subsidiary of the Company due to an increase in its significance in the current consolidated fiscal year. And four wholly-owned sub-subsidiaries of the Company, namely Honma Toho, Sue Yakuhin, Yamaguchi Toho, and Ogawa Toho merged into TOHO PHARMACEUTICAL, a wholly-owned subsidiary of the Company.

In dispensing pharmacy business, Cure became a consolidated subsidiary of the Company due to an increase in its significance in the current consolidated fiscal year. And six wholly-owned sub-subsidiaries of the Company, namely Pharma Square, NEST, Japan Pharmacy, Yotuba, Mirai,and Juspharma merged into Pharma Mirai (former Tomonity Co., Ltd.) , a wholly-owned sub-subsidiary of the Company.

(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

Five consolidated subsidiaries (TOHO PHARMACEUTICAL, Kyushu Toho, SAYWELL, Koyo and Godo Toho) value inventories at moving-average cost (the book value devaluation method based on lowered profitability for balance sheets amounts).

Other consolidated subsidiaries value inventories at cost using the last purchase price method. (the book value devaluation method based on lowered profitability for balance sheets amounts).

(2) Method of Depreciation of Significant Depreciable Assets

① Property, plants, and equipment（Excluding lease assets）

Depreciated by the declining-balance method. Buildings (except 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.

（4） Accounting method for retirement benefits

6 consolidated subsidiaries (Square One, J.Mirai Medical, Pharma Mirai VEGA PHARMA, Tokyo Research Center of Clinical Pharmacology, and ALF) adopt the simplified method in calculating projected benefit obligations for lump-sum retirement benefit plans, recording liabilities at amounts to be required for voluntary termination at the year-end. The Company submitting consolidated financial statements and three consolidated subsidiaries (TOHO PHARMACEUTICAL, Godo Toho and Toho System Service) shifted

entirely to a defined contributory pension program. In connection with this shift, they adopted a transitional program to pay retirement-age employees (still active on the payroll at said switchover) lump-sum severance allowances in the amount of a portion of all benefits attributable to past service, upon their retirement. This involved recognition of the relevant retirement benefit liability as of the end of March 2014 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. And from December 1, 2013, the Company shifted the whole of retirement lump sum grants system of its one consolidated subsidiary (TOHO PHARMACEUTICAL (those succeeded to from Sue Pharmaceutical due to its consolidation)) to a defined contribution pension system. There will be no effects due to these shifts on the operating results for this consolidated fiscal year.

(5) Amortization Method and Period of Goodwill and Negative Goodwill

Goodwill and negative goodwill that was accumulated up until March 31, 2010, is amortized over periods of five or ten years in equal amounts.

(6) Definition of Cash in Consolidated Statements of Cash Flows

Cash consists of cash on hand, cash deposits withdrawable on demand, and short-term investments readily convertible into cash that bear only a minimum risk of changing in value, and which become due within three months following the date of acquisition.

(7) Other Important Information for Preparation of Consolidated Financial Statements

Method of Accounting for Consumption Taxes and Others

Transactions subject to consumption tax are accounted for exclusive of consumption tax.

(Change in the Accounting Treatment)
The Company has adopted the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan Statement No.26, issued on May 17, 2012, hereinafter "the Accounting Standard for Retirement Benefits") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, issued on May, hereinafter "the Guidance on Accounting Standard for Retirement Benefits") from the end of the current consolidated fiscal year (excluding the stipulation of Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guidance on Accounting Standard for Retirement Benefits.) Accordingly, a method in which the value pension asset excluded from retirement benefit obligations is recorded as net defined benefit liability has been adopted.

As a result, net defined benefit liability of 1,527 million yen was recorded at the end of the current consolidated fiscal year, and provision for retirement benefits decreased by the same amount. Neither accumulated other comprehensive income nor per share information is affected by the change.

(Change in the Accounting Treatment)

（Note to Consolidated Profit and Loss Statement）

1.The Company had posted "non-deductible consumption tax" as a "loss before deduction of temporary consumption tax payment" under the classification of "non-operating expenses", however, the Company changed it to be represented in SG&A expenses from the current consolidated fiscal year.

The Company has thus far booked expenses such as non-deductible consumption tax as a "loss before deduction of temporary consumption tax payment" under the classification of non-operating expenses because the dispensing pharmacy business had traditionally accounted for a small proportion of total consolidated operations, and accordingly the ratio of such expenses to net sales had been relatively low.

However, judging from the growing scale of the dispensing pharmacy business in the TOHO Group in recent years and the fact that the consumption tax rate is highly likely to be raised in and after April 2014 in a phased manner in accordance with the law on the comprehensive reform of Japan's social security and tax systems enacted in August 2012, the significance of any non-deductible consumption tax, etc., in terms of its monetary amount is expected to increase from this point onward. Furthermore, as the Company has determined that the operating income into which such expenses are factored is more useful as a management indicator, it has decided to employ from the first quarter of the fiscal year ending March 2014 a new accounting treatment under which such expenses are posted as selling, general and administrative (SG&A) expenses.

The Company has reclassified the consolidated financial statements for the prior consolidated fiscal year to reflect the change in representation.

As a result, the operating income in the prior consolidated fiscal year decreased by2,727 million yen compared to that without reclassification. Meanwhile, neither the ordinary income nor the net income is affected by the change.

2.Since "Compensation income" 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, 103 million yen represented under "Compensation income" of "Extraordinary income" in the Consolidated Profit and Loss Statement for the prior consolidated fiscal year has been reclassified under "Others".

（Note to Consolidated Statements of Cash Flows）

The Company had posted "non-deductible consumption tax" as a "loss before deduction of temporary consumption tax payment" under the classification of "non-operating expenses", however, the Company changed it to be represented in SG&A expenses 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, "Increase (decrease) in accrued consumption taxes" of "Net cash provided by (used in) operating activities" in Consolidated Statements of Cash Flows increased by 2,727 million yen, and "Others" decreased by the same amount.

(Additional Information)

Tax Effect Accounting

The Ministry of Finance in Japan released the "Act on Partial Amendment to the Income Tax Act, etc." (Act No. 10 of2014) on March 31, 2014, to replace the special corporation tax for reconstruction, effective from fiscal years beginning on and after April 1, 2014. Accordingly, the effective statutory tax rate will be reduced from 38.01% to 35.64% for calculating deferred tax assets and liabilities on temporary differences that are expected to be realized during the fiscal year beginning on April 1, 2014.

AS a result, Deferred Tax Assets (excluding Deferred Tax Liabilities) decreased by 138 million yen, Income taxes-deferred in the current consolidated fiscal year increased by the same amount.

(Notes to Consolidated Balance Sheets)

*1 Accumulated depreciation of property, plant and equipment:

	Fiscal 2013 (As of March 31, 2013)	Fiscal 2014 (As of March 31, 2014)
	37,544 million yen	41,133 million yen

*2 Investments in non-consolidated subsidiaries and affiliates:

	Fiscal 2013 (As of March 31, 2013)	Fiscal 2014 (As of March 31, 2014)
Investment securities	7,684 million yen	9,192 million yen

*3 Assets pledged as collateral and liabilities secured by collateral

Classified assets pledged

	Fiscal 2013 (As of March 31, 2013)	Fiscal 2014 (As of March 31, 2014)
Time deposits	295 million yen	375 million yen
Buildings	1,488 million yen	5,636 million yen
Land	4,664 million yen	7,494 million yen
Investment securities	2,550 million yen	2,628 million yen
Total	8,998 million yen	16,135 million yen

Liabilities secured by collateral

	Fiscal 2013 (As of March 31, 2013)	Fiscal 2014 (As of March 31, 2014)
Notes and accounts payable	32,394 million yen	19,554 million yen
Long-term debt (including current portion of long-term debt due within one year)	1,496 million yen	6,468 million yen
Total	33,891 million yen	26,023 million yen

4 Liabilities guaranteed

①Bank loans guaranteed

Fiscal 2013 (As of March 31, 2013)		Fiscal 2014 (As of March 31, 2014)	
Square One	868 million yen	Wakaba and 2 other cases	32 million yen
Other	84 million yen	—	—
Total	953 million yen	Total	32 million yen

② Accounts payable guaranteed

Fiscal 2013 (As of March 31, 2013)		Fiscal 2014 (As of March 31, 2014)	
Kyoei yakuhin	60 million yen	Kyoei yakuhin	58 million yen

③ Leases guaranteed

Fiscal 2013 (As of March 31, 2013)		Fiscal 2014 (As of March 31, 2014)	
Akagi Jibiinkoka	17 million yen	Showa Hospital Saibikai and other case	52 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 2013 (As of March 31, 2013)	Fiscal 2014 (As of March 31, 2014)
Difference in value of land revalued between market and revalued book value at fiscal year-end	1,952 million yen	1,941 million yen

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

	Fiscal 2013 (As of March 31, 2013)	Fiscal 2014 (As of March 31, 2014)
Lending commitments	17,000 million yen	12,000 million yen
Balance borrowed	ー million yen	ー million yen
Total remainder	17,000 million yen	12,000 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 2013 (As of March 31, 2013)	Fiscal 2014 (As of March 31, 2014)
Lending commitments	1,000 million yen	1,000 million yen
Balance borrowed	ー million yen	ー 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 2013 (From April 1, 2012 to March 31, 2013)	Fiscal 2014 (From April 1, 2013 to March 31, 2014)
Gain on sale of buildings	15 million yen	138 million yen
Gain on sales of land	258 million yen	229 million yen
Gain on sale of vehicles and carriers	1 million yen	2 million yen
Total	274 million yen	370 million yen

*2 Losses on disposal of noncurrent assets comprise:

	Fiscal 2013 (From April 1, 2012 to March 31, 2013)	Fiscal 2014 (From April 1, 2013 to March 31, 2014)
Loss on retirement of buildings	258 million yen	289 million yen
Loss on retirement of tools, furniture and fixtures	15 million yen	18 million yen
Loss on retirement of software	8 million yen	10 million yen
Loss on sale of buildings	10 million yen	6 million yen
Loss on sale of land	154 million yen	119 million yen
Loss on sale of vehicles and carries	0 million yen	1 million yen
Total	447 million yen	446 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 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.

Fiscal 2014 (From April 1, 2013 to March 31, 2014)

Location	Purpose	Class
Oita Sales Office and 12 other sites	Real estate for business use	Land and buildings
Former Tokuyama Sales Office and 22 other sites	Real estate unused	Land and buildings
—	—	Good will

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 64 million yen. It comprised 10 million yen on land and 53 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 173 million yen was recognized due to the continuous decline in market prices. It comprised 152 million yen on land and 21 million yen on buildings. The Group measures recoverable amounts on the basis of net sales prices. The recoverable amounts were based on assessments supplied by real estate appraisers, but some assets whose assessments proved insignificant were assessed in reference to tax assessments of fixed assets.

As for goodwill, its book value was written down to its recoverable amount since it is considered unlikely to earn profits as initially projected. Accordingly, all the amounts of relevant goodwill at 109 million yen was posted in extraordinary losses as an impairment loss, Meanwhile, the recoverable amount of that goodwill was measured at its value in use and the discount rate used for computation of present value of future cash flows was 6%.

(Notes to Consolidated Statements of Comprehensive Income)

*1 Recycling and tax effects concerning other comprehensive income

	Fiscal 2013 (From April 1, 2012 to March 31, 2013)	Fiscal 2014 (From April 1, 2013 to March 31, 2014)
Valuation difference on available-for-sale securities		
Amount accrued for the current term	10,979 million yen	-249 million yen
Recycling	-32 million yen	1 million yen
Before tax effect adjustment	10,947 million yen	-247 million yen
Tax effects	-3,877 million yen	83 million yen
Valuation difference on available-for-sale securities	7,069 million yen	-164 million yen
Share of other comprehensive income of associates accounted for using equity method		
Amount accrued for the current term	44 million yen	-4 million yen
Total other comprehensive income	7,114 million yen	-168 million yen

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

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 1,000 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

Fiscal 2014 (From April 1, 2013 to March 31, 2014)

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)	7,690	211	5,021	2,881
Total	7,690	211	5,021	2,881

(Note) 1. The increase of 211,000 shares in treasury common stocks represents an increase of 209,000 shares authorized by the Board of Directors and an increase of 1,000 shares as a result of the purchase of odd-lot shares.

2. The number of shares of treasury common stock decreased 5,021,000 shares with the disposal of treasury stock of 5,000,000 by a public offering and of 21,000 by an allocation to third party.

2. Subscription rights to shares and treasury shares

Account	Details of subscription rights to shares	Types of subscription rights to shares	Number of subscription rights to shares				Balance at end of fiscal 2014 (million yen)
			End of fiscal 2013	fiscal 2014 (Increase)	fiscal 2014 (Decrease)	End of fiscal 2014	
TOHO HOLDINGS	Subscription rights to shares as stock options	―	―	―	―	―	28
Total			―	―	―	―	28

3. Dividends

(1) Dividend Payment

Resolution	Type of shares	Total dividend amount (million yen)	Dividend per share (yen)	Record date	Effective date
May 10, 2013 Board of directors	Common stock	564	8	March 31, 2013	Jun 10, 2013
November 7, 2013 Board of directors	Common stock	756	10	September 30, 2013	December 5, 2013

(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, 2014 Board of directors	Common stock	754	Retained earnings	10	March 31, 2014	June 9, 2014

(Notes to Consolidated Statements of Cash Flows)

*1 Reconciliation between cash and cash equivalents at the end of the fiscal year and amounts of related accounts in Consolidated Balance Sheet

	Fiscal 2013 (From April 1, 2012 to March 31, 2013)	Fiscal 2014 (From April 1, 2013 to March 31, 2014)
Cash on hand and on deposit	41,119 million yen	18,362 million yen
Time deposits maturing beyond three months of deposit	-4,253 million yen	-4,608 million yen
Short-term investments (investment securities) becoming due within three months of acquisition	502 million yen	502 million yen
Cash and cash equivalents	37,368 million yen	14,257 million yen

2 Details of important non-monetary transactions

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

The amounts of assets and liabilities related to finance leases newly accounted for in the current term were 526 million yen.

Fiscal 2014 (From April 1, 2013 to March 31, 2014)

The amounts of assets and liabilities related to finance leases newly accounted for in the current term were 8,333 million yen.

(Segmental Information)

(Segmental Information)

1. Outline of reportable segments

The reported segments of the Company are those business units included in the Company for which separate financial information is available and which are subject to regular review by the Board of Directors so that it can make decisions about resources to be allocated to them as well as assess their business performance.

The Group has put the pharmaceutical wholesaling and dispensing pharmacy businesses under the control of respective management companies. Each management company formulates comprehensive domestic strategies, while operating companies are engaged in actual operations.

Meanwhile, in the SMO and information equipment sales businesses, the Company and respective operating companies work together in formulating comprehensive domestic strategies as well as in actual operations.

Accordingly, the Company consists of business segments that are based on sales of prescription pharmaceuticals, medical care-related products and services, etc. and has four reportable segments, namely Pharmaceutical Wholesaling, Dispensing Pharmacy, SMO, and Information Equipment Sales.

Each of the segments is engaged in the following operations: Pharmaceutical Wholesaling, sales of pharmaceuticals, narcotics, reagents, etc., and sales of medical devices; Dispensing Pharmacy, operation of insurance pharmacy and home medical care operations, and sales of pharmaceuticals; SMO, site management organization services; and Information Equipment Sales, design and sales of information processing equipment.

2. The calculation method for the amounts of net sales, profits or losses, assets and other items by reportable segment

The accounting for business segments reported is the same as those described in the Important Items of the Basics of Presenting the Consolidated Financial Statements above on the whole.

Amounts for inter-segment internal net sales or transfers are based on prevailing market prices.

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

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	11,724	1,308	168	77	13,279	-129	13,150
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.

3. As described "Change in the Accounting Treatment", The Company had posted "non-deductible consumption tax" as a "loss before deduction of temporary consumption tax payment" under the classification of "non-operating expenses", however, the Company changed it to be represented in SG&A expenses from the current consolidated fiscal year.

The Company has reclassified the segment profits for the prior consolidated fiscal year to reflect the change in representation.

As a result, there is a decrease in segment profit of Pharmaceutical Wholesaling by 6 million yen, Dispensing Pharmacy Business by 2,710 million yen, Information Equipment Sales by 0 million yen, compared to that without reclassification.

Fiscal 2014 (from April 1, 2013 to March 31, 2014)

	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	1,102,163	85,619	508	1,336	1,189,627	—	1,189,627
(2) Inter-segment internal net sales or transfers	41,840	24	—	290	42,155	-42,155	—
Total	1,144,003	85,644	508	1,626	1,231,783	-42,155	1,189,627
Segment profit	11,466	1,093	295	83	12,939	-611	12,328
Segment assets	492,067	40,868	869	1,983	535,788	44,349	580,137
Other items							
Depreciation	2,052	776	11	34	2,874	834	3,709
Amortization of goodwill	302	2,086	1	—	2,390	—	2,390
Amortization of negative goodwill	710	26	—	—	736	—	736
Impairment loss	168	177	—	—	346	—	346
Investment in equity-method affiliate	1,190	—	—	—	1,190	—	1,190
Unamortized balance of goodwill	837	9,752	—	—	10,590	—	10,590
Unamortized balance of negative goodwill	335	129	—	—	464	—	464
Increase in property, plant and equipment and intangible assets	11,754	1,834	14	273	13,876	18	13,895

(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 60,596 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 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.

Fiscal 2014 (from April 1, 2013 to March 31, 2014)

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

Fiscal 2014 (from April 1, 2013 to March 31, 2014)
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 2013 (from April 1, 2012 to March 31, 2013)
This description is omitted since the similar information is disclosed in the segment information above.

Fiscal 2014 (from April 1, 2013 to March 31, 2014)
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 2013 (from April 1, 2012 to March 31, 2013)
Not applicable.

Fiscal 2014 (from April 1, 2013 to March 31, 2014)
Not applicable.

(Information per Share)

	Fiscal 2013 (From April 1, 2012 to March 31, 2013)	Fiscal 2014 (From April 1, 2013 to March 31, 2014)
Net asset per share	1,902.43 yen	1,952.04 yen
Net income per share	159.21 yen	139.58 yen
Net income per share after adjustments on potential shares	—	139.54 yen

(Note) 1. The Company doesn't describe "net income per share after adjustments on potential shares" in the previous consolidated fiscal year, since the Company had no potential share.

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

Item	Fiscal 2013 (From April 1, 2012 to March 31, 2013)	Fiscal 2014 (From April 1, 2013 to March 31, 2014)
Net income per share		
Net income (million yen)	11,526	10,407
Amount not related to shareholders of common stock (million yen)	—	—
Net income from common stock (million yen)	11,526	10,407
Average number of shares of outstanding common stock during fiscal year	72,398,483	74,563,314
Net income per share after adjustments on potential shares		
Adjustment for net income (million yen)	—	—
(Including Interest expenses(after deduction for the amount of tax)) (million yen)	(—)	(—)
Increase in number of shares of common stock	—	20,072
(Including convertible bonds with subscription rights to shares)	(—)	(—)
(Including subscription rights to shares)	(—)	(20,072)
Outline of potential shares not included in calculation of current net income per share after adjustments on potential shares due to no dilution effect	—	

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

Item	Fiscal 2013 (From April 1, 2012 to March 31, 2013)	Fiscal 2014 (From April 1, 2013 to March 31, 2014)
Total net asset on consolidated balance sheet (million yen)	134,272	147,190
Amounts to be deducted from total net assets (million yen)	—	28
(Subscription rights to shares) (million yen)	(—)	(28)
(Minority interest) (million yen)	(—)	(—)
Net assets concerning common stocks at the end of the term (million yen)	134,272	147,162
Number of shares of common stock used in calculating net asset per share	70,579,301	75,389,013

(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 2013 (As of March 31, 2013)	Fiscal 2014 (As of March 31, 2014)
Assets		
Current assets		
Cash and deposits	5,679	4,772
Accounts receivable-trade	―	0
Prepaid expenses	34	77
Deferred tax assets	53	36
Other accounts receivable	967	1,376
Short-term loans receivable	10,967	10,201
Others	62	81
Allowance for doubtful accounts	-1	-0
Total current assets	17,763	16,546
Noncurrent assets		
Property, plant and equipment		
Buildings, net	8,595	16,544
Structures, net	219	721
Tools, furniture and fixtures, net	22	81
Land	18,123	18,584
Lease assets, net	104	164
Construction in progress	7,540	11
Total property, plant and equipment	34,606	36,107
Intangible assets		
Leasehold right	147	147
Software	99	81
Others	2	3
Total intangible assets	249	231
Investments and other assets		
Investment securities	40,978	47,412
Stocks of subsidiaries and affiliates	25,744	26,865
Investments in capital of subsidiaries and affiliates	157	157
Long-term loans receivable	46	44
Long-term loans receivable from subsidiaries and affiliates	7,486	5,052
Claims provable in bankruptcy, claims provable in rehabilitation and other	2,343	2,243
Long-term prepaid expenses	14	17
Others	266	1,104
Allowance for doubtful accounts	-1,857	-1,578
Total investments and other assets	75,178	81,318
Total noncurrent assets	110,034	117,657
Total assets	127,797	134,203

(Unit: million yen)

	Fiscal 2013 (As of March 31, 2013)	Fiscal 2014 (As of March 31, 2014)
Liabilities		
Current liabilities		
Current portion of long-term loans payable	7,153	5,653
Lease obligations	38	61
Asset retirement obligations	—	45
Accounts payable-other	1,751	419
Accrued expenses	21	21
Income taxes payable	132	62
Accrued consumption taxes	44	—
Deposits received	9,097	6,265
Provision for bonuses	43	39
Provision for directors' bonuses	34	42
Others	—	4
Total current liabilities	18,316	12,614
Noncurrent liabilities		
Long-term loans payable	9,733	6,780
Lease obligations	71	112
Deferred tax liabilities	11,183	13,246
Deferred tax liabilities for land revaluation	1,138	1,136
Provision for retirement benefits	7	6
Provision for loss on guarantees	30	—
Asset retirement obligations	92	276
Negative goodwill	336	152
Others	257	193
Total noncurrent liabilities	22,850	21,904
Total liabilities	41,167	34,519
Net assets		
Shareholders’ equity		
Capital stock	10,649	10,649
Capital surplus		
Legal capital surplus	46,177	46,177
Other capital surplus	790	2,461
Total Capital surplus	46,967	48,638
Retained earnings		
Legal retained earnings	664	664
Other retained earnings		
Reserve for reduction entry of land	1,150	1,142
General reserve	6,336	6,336
Retained earnings brought forward	17,450	19,658
Total retained earnings	25,601	27,801
Treasury stock	-9,069	-3,477
Total shareholders’ equity	74,149	83,612
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	16,767	20,331
Revaluation reserve for land	-4,286	-4,288
Total valuation and translation adjustments	12,481	16,043
Subscription rights to shares	—	28
Total net assets	86,630	99,684
Total liabilities and net assets	127,797	134,203

(2) Profit and Loss Statement

(Unit: million yen)

	Fiscal 2013 (From April 1, 2012 to March 31, 2013)	Fiscal 2014 (From April 1, 2013 to March 31, 2014)
Operating revenue		
Income of management guidance	1,067	1,096
Income of real estate rent	1,480	1,722
Dividends income	3,604	2,479
Total Operating revenue	6,151	5,298
Operating expenses		
Real estate related expenses	848	1,264
General and administrative expenses		
Directors' compensations, salaries and allowances	745	777
Provision for bonuses	43	39
Provision for directors' bonuses	34	42
Provision for retirement benefits	0	-0
Welfare expenses	116	96
Vehicle expenses	1	1
Provision of allowance for doubtful accounts	-81	-279
Depreciation	81	90
Rent expenses	159	301
Taxes and dues	109	122
Others	633	685
Total operating expenses	2,693	3,142
Operating income	3,458	2,155
Non-operating income		
Interest income	343	285
Dividend income	846	919
Commission fee	81	86
Real estate rent	4	2
Amortization of negative goodwill	183	183
Foreign exchange gains	203	117
Others	312	146
Total non-operating income	1,975	1,740
Non-operating expenses		
Interest expenses	344	282
Commitment fee	2	1
Miscellaneous loss	28	11
Total non-operating expenses	375	296
Ordinary income	5,059	3,600

(Unit: million yen)

	Fiscal 2013 (From April 1, 2012 to March 31, 2013)	Fiscal 2014 (From April 1, 2013 to March 31, 2014)
Extraordinary income		
Gain on sales of noncurrent assets	―	1
Gains on sales of investment securities	43	0
Gain on redemption of investment securities	258	―
Gain on extinguishment of tie-in shares	―	268
Total extraordinary income	301	269
Extraordinary loss		
Loss on disposal of noncurrent assets	15	169
Loss on valuation of investment securities	1	―
Impairment loss	34	8
Total extraordinary loss	51	178
Income before income taxes	5,308	3,691
Income taxes-current	267	85
Income taxes-deferred	140	87
Total income taxes and other	407	172
Net income	4,901	3,518

(3) Consolidated Statement of Changes in Shareholders’ Equity

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

(Unit: million yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the end of previous period	10,649	46,177	790	46,967
Changes of items during the period				
Dividends from surplus				
Net income				
Reversal of reserve for reduction entry of land				
Provision of reserve for reduction entry of land				
Purchase of treasury stock				
Disposal of treasury stock			—	—
Reversal of revaluation reserve for land				
Net changes of items other than shareholders' equity				
Total changes of items during the period	—	—	—	—
Balance at the end of current period	10,649	46,177	790	46,967

	Shareholders' equity						
	Retained earnings					Treasury stock	Total shareholder’s equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for reduction entry of land	General reserve	Retained earnings brought forward			
Balance at the end of previous period	664	1,141	6,336	13,726	21,868	-4,076	75,409
Changes of items during the period							
Dividends from surplus				-1,176	-1,176		-1,176
Net income				4,901	4,901		4,901
Reversal of reserve for reduction entry of land		-9		9	—		—
Provision of reserve for reduction entry of land		18		-18	—		—
Purchase of treasury stock						-4,993	-4,993
Disposal of treasury stock						—	—
Reversal of revaluation reserve for land				7	7		7
Net changes of items other than shareholders' equity							
Total changes of items during the period	—	9	—	3,723	3,723	-4,993	-1,260
Balance at the end of current period	664	1,150	6,336	17,450	25,601	-9,069	74,149

(Unit: million yen)

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the end of previous period	10,576	-4,278	6,298	—	81,708
Changes of items during the period					
Dividends from surplus					-1,176
Net income					4,901
Reversal of reserve for reduction entry of land					—
Provision of reserve for reduction entry of land					—
Purchase of treasury stock					-4,993
Disposal of treasury stock					—
Reversal of revaluation reserve for land					7
Net changes of items other than shareholders' equity	6,190	-7	6,182	—	6,182
Total changes of items during the period	6,190	-7	6,182	—	4,922
Balance at the end of current period	16,767	-4,286	12,481	—	86,630

Fiscal 2014 (From April 1, 2013 to March 31, 2014)

(Unit: million yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the end of previous period	10,649	46,177	790	46,967
Changes of items during the period				
Dividends from surplus				
Net income				
Reversal of reserve for reduction entry of land				
Provision of reserve for reduction entry of land				
Purchase of treasury stock				
Disposal of treasury stock			1,670	1,670
Reversal of revaluation reserve for land				
Net changes of items other than shareholders' equity				
Total changes of items during the period	—	—	1,670	1,670
Balance at the end of current period	10,649	46,177	2,461	48,638

	Shareholders' equity						
	Retained earnings					Treasury stock	Total shareholder's equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for reduction entry of land	General reserve	Retained earnings brought forward			
Balance at the end of previous period	664	1,150	6,336	17,450	25,601	-9,069	74,149
Changes of items during the period							
Dividends from surplus				-1,320	-1,320		-1,320
Net income				3,518	3,518		3,518
Reversal of reserve for reduction entry of land		-8		8	—		—
Provision of reserve for reduction entry of land		—		—	—		—
Purchase of treasury stock						-338	-338
Disposal of treasury stock						5,930	7,601
Reversal of revaluation reserve for land				2	2		2
Net changes of items other than shareholders' equity							
Total changes of items during the period	—	-8	—	2,208	2,199	5,592	9,463
Balance at the end of current period	664	1,142	6,336	19,658	27,801	-3,477	83,612

(Unit: million yen)

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the end of previous period	16,767	-4,286	12,481	—	86,630
Changes of items during the period					
Dividends from surplus					-1,320
Net income					3,518
Reversal of reserve for reduction entry of land					—
Provision of reserve for reduction entry of land					—
Purchase of treasury stock					-338
Disposal of treasury stock					7,601
Reversal of revaluation reserve for land					2
Net changes of items other than shareholders' equity	3,563	-2	3,561	28	3,590
Total changes of items during the period	3,563	-2	3,561	28	13,053
Balance at the end of current period	20,331	-4,288	16,043	28	99,684