

Summary of Consolidated Financial Results of Fiscal Year Ended March 31, 2019

May 9, 2019

Name of Listed Company: TOHO HOLDINGS CO., LTD. Listed: Tokyo Stock Exchange
Securities Code Number: 8129 URL: <http://www.tohohd.co.jp/en/>
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Planned Date of General Meeting of Shareholders: June 27, 2019 Planned Date of Dividends Payment: June 7, 2019

Planned Date of Filing of Annual Securities: June 27, 2019

Supplemental explanatory materials for the Financial Results: Available

Financial results briefing: Hold (For institutional investors and analysts)

(Amounts are truncated to the nearest million yen.)

1. Consolidated Results of Operations for the March 2019 (from April 1, 2018 to March 31, 2019)

(1) Consolidated Results of Operations

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY Ended March 2019	1,222,199	0.7	15,783	-17.0	24,452	-14.3	13,863	-3.6
FY Ended March 2018	1,213,342	-1.4	19,016	33.5	25,045	26.2	14,384	1.1

(Note) Comprehensive income: FY Ended March 2019: 11,440 million yen (-48.6%); FY Ended March 2018: 22,257 million yen (45.5%)

	Profit per Share	Profit per Share - Diluted	Return on Equity	Ordinary Income/ Total Assets	Operating Income/ Net Sales
	Yen	Yen	%	%	%
FY Ended March 2019	207.71	177.78	6.6	3.3	1.3
FY Ended March 2018	209.84	190.60	7.3	4.0	1.6

(Reference) Equity in earnings of an affiliate: FY Ended March 2019: 53 million yen; FY Ended March 2018: 53 million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
FY Ended March 2019	663,727	213,848	32.2	3,135.45
FY Ended March 2018	645,799	207,772	32.1	3,030.58

(Reference) Shareholder's equity: FY Ended March 2019: 213,680 million yen; FY Ended March 2018: 207,603 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 year
	Million yen	Million yen	Million yen	Million yen
FY Ended March 2019	13,428	-7,649	5,329	75,382
FY Ended March 2018	51,978	-12,448	-3,754	63,671

2. 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	%	%
FY Ended March 2018	—	15.00	—	15.00	30.00	2,055	14.3	1.0
FY Ended March 2019	—	15.00	—	15.00	30.00	2,020	14.4	1.0
FY Ending March 2020 (Projected)	—	20.00	—	20.00	40.00		20.0	

3. Consolidated Projected Results of Operations during Fiscal Year Ending March 2020 (from April 1, 2019 to March 31, 2020)

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Profit per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First Half	587,000	-1.1	5,800	20.7	8,700	13.5	5,500	11.3	80.70
Full Year	1,223,000	0.1	15,000	-5.0	21,800	1.6	13,600	-1.9	199.56

※ Notes

- (1) Changes in material subsidiaries during the period (changes in special subsidiaries accompanying with a change in the scope of consolidation) : N.A.

Inclusion —(—) Exclusion —(—)

- (2) Changes in accounting policies and accounting estimates, and correction and restatement

- (i) Changes in accounting policies accompanying with revisions in accounting standards, etc.: N.A.
(ii) Changes in accounting policies other than the above item (i): Applicable.
(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 the end of fiscal year
(Including common stock for treasury)

- (ii) Number of treasury stocks at the end of fiscal year

- (iii) The average number of shares during the fiscal year

FY Ended March 2019	78,270,142	FY Ended March 2018	78,270,142
FY Ended March 2019	10,120,311	FY Ended March 2018	9,767,201
FY Ended March 2019	66,741,203	FY Ended March 2018	68,550,785

(Reference) Summary of Unconsolidated Financial Results

1. Unconsolidated Results of Operations for Fiscal year ended March 2019 (from April 1, 2018 to March 31, 2019)

(1) Unconsolidated Results of Operations

(The figures in percentages indicate changes year-on-year.)

	Net Sales		Operating Income		Ordinary Income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY Ended March 2019	13,970	22.6	8,672	55.5	10,190	29.2	10,238	63.1
FY Ended March 2018	11,398	-36.3	5,575	-58.1	7,887	-44.4	6,275	-56.3

	Profit per Share	Profit per Share - Diluted
	yen	yen
FY Ended March 2019	153.38	131.19
FY Ended March 2018	91.54	83.07

(2) Unconsolidated Financial Position

	Total Asset	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	yen
FY Ended March 2019	195,676	139,916	71.4	2,050.25
FY Ended March 2018	181,183	137,006	75.5	1,997.21

(Reference) Shareholder's Equity FY Ended March 2019: 139,748 million yen FY Ended March 2018: 136,837 million yen

※ The Summary of Consolidated Financial Results of Fiscal Year Ended March 31, 2019 is unaudited information.

※ 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 considers rational at the time of the release of this report, and does not indicate that the Company undertakes 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 Section "1. Summary of Management Results (1) Summary of Management Results for the Current Fiscal Year" 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 15, 2019. The Company also intends to provide a record of the progress of the session and the outline of the briefing (voice recording), together with the briefing material, on its website promptly after the briefing.

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1. Summary of Management Results

(1) Summary of Management Results for the Current Fiscal Year

(Management Results for the Current Fiscal Year)

In the consolidated fiscal year ended March 31, 2019, the prescription pharmaceuticals market continued to face a severe environment as evidenced by the fact that NHI drug prices were slashed by 7.48% on a drug price basis, owing primarily to the medical treatment fee revisions in April 2018 and the review of the promotional points addition system for new drug discovery, etc. carried out as part of the drastic reform of the drug pricing system. During the period, the Company achieved a strong performance in net sales, operating income, ordinary income and profit attributable to owners of the parent, all of which turned out to be significantly higher than initially expected, reflecting the growth in sales of anticancer and other new drugs, specialty medicines, and drugs for rare diseases, along with successful price negotiations focused on an individual unit pricing structure that corresponds to product value in accordance with the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions / Pharmacies. As a business group involved in medical care, health and nursing care, the Group as a whole has made a concerted effort to accelerate the shift to a business model centered on value-added services which are actually useful in a wide range of areas, by developing and proposing customer support systems to offer solutions to problems faced by patients and medical institutions, and by contributing to the establishment of community comprehensive healthcare systems.

Furthermore, the Company took active steps to improve productivity by making operations more efficient and standardized, while optimizing the personnel structure with the aim of ensuring stable revenue and profit as well as improving profitability. Meanwhile, the Company launched Hokuriku Toho Co., Ltd. as its new operation hub in the Hokuriku region on October 1, 2018, thereby laying out the framework for TOHO PHARMACEUTICAL CO., LTD. and its subsidiaries to cover all areas across Japan.

In November 2018, TBC Hiroshima started operations as a new highly functional distribution center. We built full-scale systems with the aim of both further enhancing our productivity by further advancing the automation technology we have developed so far, and even more, fulfilling our social mission of providing a steady supply of pharmaceuticals even during a disaster.

KYOSOMIRAI PHARMA CO., LTD., has expanded and enriched its product lineup with the transfer of marketing approvals and sales rights for 26 ingredients of generic drugs originally produced and sold by FUJIFILM Pharma Co., Ltd as well as the sales rights for 30 ingredients of generic products originally marketed by the same company. As of the end of the fiscal year under review, KYOSOMIRAI PHARMA CO., LTD dealt with 73 ingredients in 156 generic products.

The Company has reached a basic agreement with SUZUKEN CO., LTD. on the joint use of a customer support system and the joint deployment of new distribution models (for generic drugs and specialty medicines), and established a joint venture company, TS Pharma Co., Ltd., for making plans and performing negotiations on generic drugs, effective April 1, 2019.

The Company's consolidated operating results for fiscal year ended March 31, 2019 recorded 1,222,199 million yen for net sales (an increase of 0.7% on a year-on-year basis), 15,783million yen for operating income (a decrease of 17.0% on a year-on-year basis), 21,452 million yen for ordinary income (a decrease of 14.3% on a year-on-year basis), and 13,863 million yen for profit attributable to owners of parent (a decrease of 3.6% on a year-on-year basis).

The outline of business segment operating results is as follows:

In the pharmaceutical wholesaling business, we have made an effort to conduct unit price negotiations per single item based on the value of each product and in accordance with the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions / Pharmacies. We have also continued to press ahead with measures to decrease the number of express / frequent deliveries which impose a heavy burden on both the Company's and our customers' operations and achieve the most appropriate frequency of deliveries. We have also engaged in activities to promote and enhance sales of the Company's unique customer support systems such as ENIF-hombu, centralized administration system of pharmacy operations, Initial Examination Reservation Service, ENIFvoice SP+A / ENIFvoice Core and Core-POS.

As a result, the wholesale sales of pharmaceuticals business posted net sales were 1,175,413 million yen (an increase of 1.3% on a year-on-year basis), and segment income (operating income) was 16,084 million yen (a decrease of 6.2% on a year-on-year basis).

In the dispensing pharmacy business, we endeavored to improve profitability by responding to the dispensing fee revision and increasing management efficiency through standardization of store operations and consolidation of some operations into the headquarters. However, adversely affected by the dispensing fee revisions, the dispensing pharmacy business posted net sales of 93,222 million yen (a decrease of 4.9% on a year-on-year basis) and segment income (operating income) of 1,425 million yen (a decrease of 60.0% on a year-on-year basis).

In the SMO operations, net sales amounted to 280 million yen (a decrease of 13.1% on a year-on-year basis) and segment income (operating income) was 55 million yen (a decrease of 38.4% on a year-on-year basis). In the information equipment sales operations, net sales totaled 1,385 million yen (a decrease of 18.3% on a year-on-year basis), with segment income (operating income) of 36 million yen (a decrease of 43.1% on a year-on-year basis).

(Note) Segment sales include inter-segment transactions.

(Projections for the Next Fiscal Year)

In the prescription pharmaceuticals market that the Company belongs to, it is expected that there will be drug price cuts associated with the upcoming consumption tax hike in October 2019, and that there will be another round of regular drug price revisions in April 2020. We anticipate that the market trends will remain difficult to predict in view of the situation mentioned above. Amid these conditions, we will continue to make efforts to undertake price negotiations using unit prices based on a pricing structure that corresponds to the value and distribution cost of individual products in the wholesale sales of pharmaceuticals business. Meanwhile, we aim to improve profitability by expanding the fee business through the promotion of our proprietary customer support systems such as ENIF-Hombu, ENIFvoice Core, Core-POS and Initial Examination Reservation Service.

Furthermore, we will endeavor to strengthen the business foundation through steps such as building stronger relations with medical institutions as well as members in the Kyoso Mirai Group in Pharmacy, and stepping up measures to achieve the most appropriate frequency of deliveries. The Company will stay committed to building a system capable of providing a stable supply of pharmaceutical products even during a disaster, while creating a highly functional distribution system that will help medical institutions to improve their operational efficiencies and stepping up logistical capabilities for specialty medicines that require strict temperature control in compliance with the Good Distribution Practice (GDP) Guideline for Pharmaceutical Products announced by the Ministry of Health, Labour and Welfare in December 2018. KYOSOMIRAI PHARMA CO., LTD. will stay focused on expanding the product lineup through steps such as launching new products under its own brand, and by providing a stable supply of generic drugs of high quality warranted by in-house verification, it will resolve the issues that patients and medical institutions face, which will contribute to improving the Company's earnings.

In the dispensing pharmacies business, we will press ahead with measures to allow each pharmacy to establish functions that correspond to the revision of dispensing fees, and we will work to offer higher value by providing services in close coordination with community medical care activities. As a pharmacy business management company related to specialty medical institutions, the Company will stay focused on developing pharmacists with highly sophisticated expertise in pharmacy management. Furthermore, we will continue to improve the efficiency of management and increase profitability through the standardization of store operations and a full review of costs, including the adoption of our customer support system and promotion of automatic ordering.

Accordingly, net sales for next fiscal year ending March 31, 2020 are projected to be 1,223,000 million yen (up 0.1% on a year-on-year basis), with the operating income estimated at 15,000 million yen (down 5.0%), ordinary income at 21,800 million yen (up 1.6%), and profit attributable to owners of parent at 13,600 million yen (down 1.9%).

(2) Summary of Financial Position for the Current Fiscal Year

① State of assets, liabilities, and net assets

(i) Assets

Consolidated current assets as of the end of March 2019 increased 4.7% from the end of the previous consolidated fiscal year to 479,427 million yen, due mainly to an increase in cash and deposits of 11,664 million yen, and an increase in trade notes and accounts receivable of 5,548 million yen, and an increase of in inventories of 5,501 million yen. Non-current assets as of the end of March 2019 decreased 2.0% from the end of the previous year to 184,299 million yen, due mainly to a decrease in property, plant and equipment of 1,614 million yen, and a decrease in goodwill of 1,254 million yen, and a decrease in investment securities of 1,042 million yen.

As a result, consolidated total assets as of the end of March 2019 increased 2.8% from the end of the previous consolidated fiscal year to 663,727 million yen.

(ii) Liabilities

Current liabilities increased 2.4% from the end of the previous consolidated fiscal year to 400,265 million yen, owing to an increase in trade notes and accounts payable of 5,143 million yen, and an increase in current portion of bonds of 7,955 million yen, and a decrease in income taxes payable of 2,131 million yen. Noncurrent liabilities increased 5.1% from the end of the previous consolidated fiscal year to 49,612 million yen with an increase in bonds payable of 5,057 million yen, and a decrease in lease obligations of 1,382 million yen, and a decrease in income taxes payable of 1,089 million yen.

As a result, total liabilities increased 2.7% year-on-year to 449,878 million yen.

(iii) Net Assets

Total net assets were up 2.9% from the end of the previous consolidated fiscal year to 213,848 million yen, with an increase in retained earnings of 11,626 million yen, and an increase in treasury stock of 3,644 million yen, and a decrease in valuation difference on available-for-sale securities of 2,422 million yen.

② Cash Flows

Cash and cash equivalents (hereinafter referred to as "cash") during this consolidated fiscal year increased by 11,710 million yen from the end of the previous consolidated fiscal year. As a result, the balance at the end of this consolidated fiscal year totaled 75,382 million yen. The following describes the three categories of consolidated cash positions during this consolidated fiscal year, as well as the factors responsible.

(i) Cash Flows from Operating Activities

Cash flow from operating activities was an inflow of 13,428 million yen (a decrease of 38,549 million yen on a year-on-year basis). Although inflow was secured by some positive factors such as net profit before income taxes of 20,913 million yen, depreciation and amortization of 4,869 million yen, amortization of goodwill of 1,572 million yen, and an increase in notes and accounts payable-trade of 5,027 million yen, these were somewhat offset by negative factors including increase in notes and accounts receivable of 5,355 million yen, and increase in inventories of 5,394 million yen, and income taxes paid of 9,750 million yen.

(ii) Cash Flows from Investing Activities

Cash flow from investing activities was an outflow of 7,649 million yen (an increase of 4,799 million yen from the previous fiscal year), which is mainly attributable to payments for purchases of property, plant and equipment of 2,799 million yen, and purchase of intangible assets of 1,000 million yen, and purchase of investment securities of 2,952 million yen.

(iii) Cash Flows from Financing Activities

Cash flow from financing activities was an inflow of 5,329 million yen (an increase of 9,083 million yen from the previous fiscal year). Positive factor, proceeds from issuance of bonds proceeds of 20,100 million yen, was somewhat offset by negative factors including purchase of treasury stock of 10,200 million yen, repayments of finance lease obligations of 1,808 million yen, and cash dividends paid of 2,025 million yen.

(Reference) Trends in key indicators of cash flows

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Shareholder's Equity Ratio (%)	26.3	27.2	31.5	32.1	32.2
Shareholder's Equity Ratio at Market Value (%)	23.7	25.7	26.8	26.6	28.4
Ratio of cash flows to interest-bearing debts (%)	104.7	1,148.0	132.2	42.1	254.9
Interest Coverage Ratio (times)	61.1	7.3	83.0	423.3	179.6

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 / Cash flows from operating activities

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 deducting treasury shares).

3. Cash flows from operating activities is the "Cash Flows from Operating Activities" in the Consolidated Statements of Cash Flows. Interest-bearing debt is all the interest-bearing debts in the Consolidated Balance Sheets. Interest paid is the interest payments in the Statements of Consolidated Cash Flows.

(3) Basic Policy of Profit and Dividend Appropriation for the Current Term and Next Term

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 decided to pay an annual dividend of 30 yen per share including interim dividend (15 yen per share) for the fiscal year ended March 31, 2019. We plan to pay an interim dividend of 20 yen per share and a year-end dividend of 20 yen per share for the next fiscal year, with an annual dividend per share totaling 40 yen. Each of the interim and year-end dividends will be comprised of an ordinary dividend of 15 yen and a special dividend of 5 yen commemorating the 10th anniversary of the transition to a holding company.

(4) Business Risks

The major risks relevant to business operations and other matters of the Company and the Group are described below. Forward-looking statements in this report were determined by the Company at the end of the consolidated fiscal year ended March 31, 2019, and they do not cover all the risks of the businesses and other aspects of the Company and Group.

1. Legal Regulations, etc.

The Group's core businesses and products are governed by applicable laws and regulations including the Act on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices. The Group is engaged in sales and marketing activities, after obtaining necessary approvals, registrations, permits and licenses from such legal regulations. The circumstances regarding approvals and licenses from supervisory authorities may affect the Group's business performance.

2. 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 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 basically the NHI Drug Price Standards act as ceilings for the sale prices of ethical pharmaceuticals.

The Ministry of Health, Labor 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. It is expected that there will be drug price cuts associated with the upcoming consumption tax hike in October this year, and that there will be another round of regular drug price revisions in April 2020. Under the fundamental reforms of the drug pricing system in April 2018, the drug price survey and revision of drug prices will be conducted even during an interim period, beginning in April 2021. Accordingly, expected revisions to the NHI Drug Price Standards and the health insurance system reforms could impact the Group's earnings.

3. Unique Business Practices

In the prescription pharmaceutical wholesale industry, which the Group is a part of through its main business, there is a unique form of transactions that has continued from long ago in which pharmaceutical products are delivered to medical institutions and dispensing pharmacies while their prices have not yet been decided, and prices are negotiated later. This practice stems from the understanding that pharmaceutical products are life-related products so deliveries must not be delayed. The government and private sector have been working together to improve this distribution practice, but in cases where negotiations do not go smoothly, the Group books a reasonable estimate of the final price as sales. Cases in which price negotiations drag on for a long period or instances in which the decided prices are different from initial estimates could affect the Group's financial performance.

4. Sales Suspensions, Product Recalls, Etc.

Cases in which sales must be suspended for products handled by the Group or the products need to be recalled or other steps need to be taken owing to unexpected side effects, contamination, etc. could impact the Group's earnings.

5. Dispensing Operations

If any error occurs in dispensing operations due to the characteristics of prescription pharmaceuticals, this may damage human bodies. If a dispensing error occurs due to human error, the pharmacy concerned may not only face claims for substantial damages, but also impair credits within existing customers and the society. In this case, the Group's financial results may be affected according to severity of the error. Ordinances of the Ministry of Health, Labour and Welfare strictly regulates the number of pharmacists stationed in pharmacies. If we are unable to secure the necessary number of pharmacists, it may affect the Group's earnings.

Furthermore, the dispensing pharmacies business generates income mainly from the sale of prescription pharmaceuticals based on NHI drug prices as well as dispensing fees and pharmaceutical management fees based on dispensing fee points set forth in the Health Insurance Act. As such, the Group's financial performance may be impacted by revisions of NHI drug prices or dispensing fees; and reform of the health insurance regime depending on the contents of the reform.

6. Consumption Tax

Prescription pharmaceuticals that dispensing pharmacies sell to patients are not subject to the consumption tax under the Consumption Tax Act, but prescription pharmaceuticals that dispensing pharmacies buy from wholesalers are subject to the consumption tax under the same law. As such, the dispensing pharmacies business bears the final burden of the consumption tax, and it books the consumption tax as an expense. Therefore, if the consumption tax is revised in the future and NHI drug prices are not revised in accordance with the consumption tax change, then that may affect the Group's earnings.

7. Impairment Losses

Under impairment accounting for fixed assets, the book value of fixed assets is reduced up to the recoverable amount, and the reduction amount is booked as an impairment loss in the same fiscal year. In the case where the profitability of fixed assets owned by the Group decreases or their market value falls sharply, for example, the application of impairment accounting on fixed assets may make it necessary to book an extraordinary loss, and this may affect the Group's financial performance.

8. System Trouble

The Group depends on computer systems and their networks to conduct its operations, so the occurrence of major system problems may affect the Group's earnings.

9. Natural Disasters

As a precaution against natural disasters and other emergencies, the Group has established crisis management frameworks and prepared a complete copy of its mission-critical systems together with peripheral systems. However, a disaster larger than anticipated could have a negative impact on the Group's earnings such as decreased net sales and increased restoration costs.

10. Control of Personal Information

The Group is handling a substantial amount of personal data concerning health professionals and patients. 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 impairment of credit and claims for compensation compared with leakage of general personal information, 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 CO., LTD. and its associated companies) or simply the “Group” consists of TOHO HOLDINGS CO., LTD. or simply the “Company,” 69 subsidiaries, and 13 affiliates. The Group’s primary business operations and their positions, 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 “Segment Information”.

(1) Pharmaceutical Wholesaling Business

The Company’s 4 consolidated subsidiaries (TOHO PHARMACEUTICAL CO., LTD., Kyushu Toho Co., Ltd., SAYWELL inc., KOYO Co., Ltd.), 8 unconsolidated subsidiaries and 2 affiliates (Sakai Yakuhin and other one affiliate) purchase pharmaceuticals and health-related products, mainly from pharmaceutical manufacturers, for distribution primarily to hospitals, clinics, and dispensing pharmacies.

As for the products purchased from pharmaceutical manufacturers, etc., the consolidated subsidiaries mentioned above supply these products to 34 subsidiaries (PHARMA DAIWA, J.MIRAIMEDICAL, Shimizu Pharmacy, PHARMA MIRAI INC., SEIKO MEDICAL BRAIN, VEGA PHARMA, Cure co., Ltd., AOBADO, KOSEI, and other 25 subsidiaries) and 6 affiliates.

Toho System Service Co., Ltd. (a consolidated subsidiary) is mainly engaged in mission-critical system operations such as data processing for the Kyoso Mirai Group (the Company, affiliates which are mainly engaged in wholesale sales of pharmaceuticals, and companies that have a business tie-up with the Group). SQUARE・ONE Co., Ltd. (a consolidated subsidiary) is engaged in real estate agency business.

(2) Dispensing Pharmacy Business

The Company’s 9 consolidated subsidiaries (PHARMA DAIWA, J.MIRAIMEDICAL, Shimizu Pharmacy, PHARMA MIRAI INC., SEIKO MEDICAL BRAIN, VEGA PHARMA, Cure co., Ltd., AOBADO, and KOSEI), 25 unconsolidated subsidiaries and 6 affiliates are primarily engaged in health insurance dispensing pharmacies business.

PharmaCluster Co.,Ltd (a consolidated subsidiary) is engaged in the management of the dispensing pharmacies business.

(3) Site Management Organization (SMO) Business

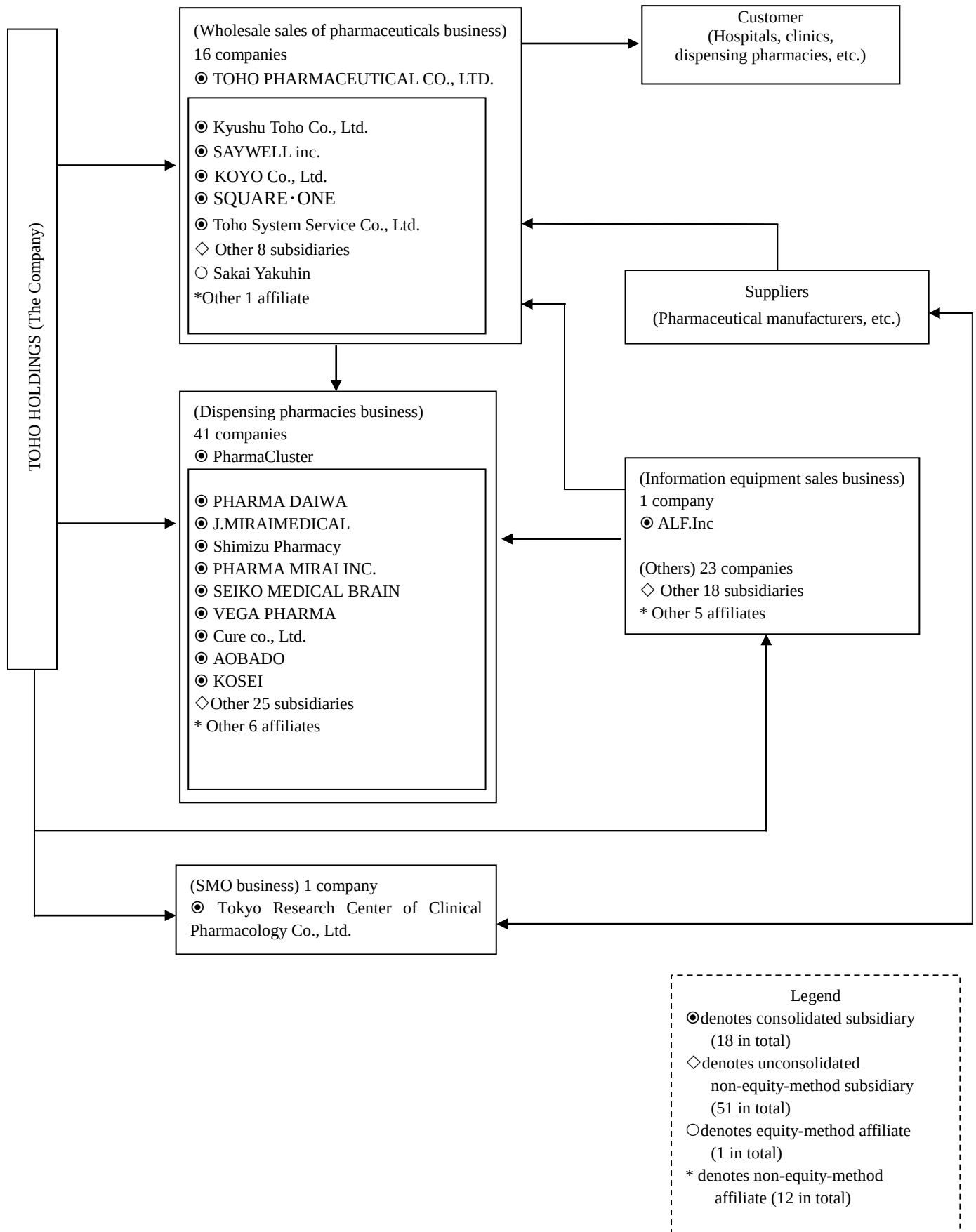
Tokyo Research Center of Clinical Pharmacology Co., Ltd. (a consolidated subsidiary) is engaged in support of SMO (Site Management Organization) operations.

(4) Information Equipment Sales Business

ALF.Inc (a consolidated subsidiary) is engaged in manufacture and sale of information processing equipment.

Other companies (18 unconsolidated subsidiaries and 5 affiliates) are engaged in operations related to the Company.

Illustrated below is a structure of business relationships between and among the Company and its associated companies.



[State of Associated Companies]

Name	Location	Capital (Million Yen)	Main Business Description	The Company's Voting Ownership (%)	Relationship with the Company
(Consolidated Subsidiaries) TOHO PHARMACEUTICAL CO., LTD.	Setagaya-ku, Tokyo	300	Pharmaceutical wholesaling	100.00	Management guidance and real estate rent by the Company. Concurrently hold on the director.
Kyushu Toho Co., Ltd.	Higashi-ku, Fukuoka City, Fukuoka	522	Pharmaceutical wholesaling	100.00 (100.00)	Pharmaceuticals supplied by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Concurrently hold on the director.
SAYWELL inc.	Nishi-ku, Hiroshima City, Hiroshima	95	Pharmaceutical wholesaling	100.00 (100.00)	Pharmaceuticals supplied by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Concurrently hold on the director.
KOYO Co., Ltd.	Takamatsu City, Kagawa	72	Pharmaceutical wholesaling	100.00 (100.00)	Pharmaceuticals supplied by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Concurrently hold on the director.
SQUARE・ONE Co., Ltd.	Setagaya-ku, Tokyo	100	Real estate agency	100.00	Financial support from the Company.
Toho System Service Co., Ltd.	Setagaya-ku, Tokyo	10	Information processing	100.00	Data processing and software creation for the Group. Distribution of software to medical institutions jointly with the Group. Concurrently hold on the director.
PharmaCluster Co.,Ltd	Chiyoda-ku, Tokyo	10	Management of dispensing pharmacies business companies	100.00	Management guidance. Concurrently hold on the director. Financial support from the Company.
PHARMA DAIWA	Minami-ku, Kumamoto City, Kumamoto	100	Operation of dispensing pharmacies	100.00 (100.00)	Pharmaceuticals supplied by a consolidated subsidiary.
J.MIRAIMEDICAL	Miyakojima-ku Osaka City, Osaka	100	Operation of dispensing pharmacies	100.00 (100.00)	Pharmaceuticals supplied by a consolidated subsidiary. Financial support from the Company. Concurrently hold on the director.
Shimizu Pharmacy	Hino City, Tokyo	67	Operation of dispensing pharmacies	100.00	Pharmaceuticals supplied by a consolidated subsidiary.
PHARMA MIRAI INC.	Setagaya-ku, Tokyo	50	Operation of dispensing pharmacies and small-lot wholesaling of pharmaceuticals	100.00 (100.00)	Pharmaceuticals supplied by a consolidated subsidiary.
SEIKO MEDICAL BRAIN	Higashi-ku, Fukuoka City, Fukuoka	30	Operation of dispensing pharmacies	100.00	Pharmaceuticals supplied by a consolidated subsidiary.
VEGA PHARMA	Fujiidera City, Osaka	10	Operation of dispensing pharmacies	100.00 (100.00)	Pharmaceuticals supplied by a consolidated subsidiary.
Cure co., Ltd.	Nagaoka City, Niigata	5	Operation of dispensing pharmacies	100.00 (100.00)	Pharmaceuticals supplied by a consolidated subsidiary.
AOBADO	Higashisumiyos hi-ku, Osaka City, Osaka	3	Operation of dispensing pharmacies	100.00	Pharmaceuticals supplied by a consolidated subsidiary.
KOSEI	Sumiyoshi-ku, Osaka City, Osaka	3	Operation of dispensing pharmacies	100.00	Pharmaceuticals supplied by a consolidated subsidiary.
Tokyo Research Center of Clinical Pharmacology Co., Ltd.	Shinjuku-ku, Tokyo	401	Site management organization	100.00	Financial support from the Company.
ALF.Inc	Setagaya-ku, Tokyo	90	Manufacture and marketing of information processing equipment	92.32 (0.83)	Distributions of the Group's customer support systems. Concurrently hold on the director. Financial support from the Company.
(Equity-Method Affiliates) Sakai Yakuhin	Mitaka City, Tokyo	60	Pharmaceutical wholesaling	35.00	Pharmaceuticals supplied by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Concurrently hold on the director.

(Note) 1. The indirect ownership % is disclosed in the () of “the Company’s Voting Ownership %”.

2. No subsidiaries and affiliates said above submits registration statements or annual securities reports.

3. TOHO PHARMACEUTICAL CO., LTD. is a specified subsidiary.

4. The subsidiaries of which net sales (excluding internal sales to consolidated companies) account for more than 10% of total consolidated sales are TOHO PHARMACEUTICAL CO., LTD. and SAYWELL inc..

Major financial result information

(i) TOHO PHARMACEUTICAL CO., LTD.	①Net sales	1,164,258 million yen
	②Ordinary income	16,785 million yen
	③Profit	11,973 million yen
	④Net assets	63,050 million yen
	⑤Total assets	474,207 million yen
(ii) SAYWELL inc.	①Net sales	148,340 million yen
	②Ordinary income	3,130 million yen
	③Profit	2,083 million yen
	④Net assets	32,071 million yen
	⑤Total assets	69,987 million yen

3. Business Management Policy

Setting “Total Commitment to Good Health” as our corporate slogan and under the mission statement, “Working in harmony with society and customers, and jointly creating new value through the provision of original services, thereby contributing to the improvement of medical services for, and health of, people around the world”, the Group always places ultimate priority on patients, makes efforts to create customer value in order to increase customer satisfaction, and aims to improve corporate value and establish a corporate brand in the market.

In Japan, the government is currently moving ahead with measures to curtail medical expenses, aiming to develop and maintain sustainable social security systems amidst an extending healthy life expectancy, a super-aging society, and the declining total population. In an effort to establish community-based comprehensive care systems, revisions were made to the medical service fees and pharmacy dispensing fees along with the fundamental reform of the NHI drug pricing system in April 2018. Consequently, it was decided to undertake surveys on drug prices and update drug prices annually.

The Ministry of Health, Labour and Welfare issued the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions / Pharmacies in January 2018 with the aim of ensuring stable distribution of pharmaceutical products. In September 2018, the ministry announced the Guidelines on Ethical Drug Detailing Activities, aiming to ensure appropriate use of ethical drugs by improving advertising activities undertaken by pharmaceutical manufacturers as part of their commercial transaction practices. This was followed by the Good Distribution Practice (GDP) Guideline for Pharmaceutical Products announced by the ministry in December 2018. The GDP Guideline aims to ensure proper management of distribution channels for pharmaceutical products. Furthermore, full-fledged activities are underway toward revising the Pharmaceutical and Medical Device Act.

As seen above, the environment surrounding the healthcare and pharmaceuticals industries has been changing dramatically. Under these circumstances, the Group will, as a corporate group engaged in the areas of medical care, healthcare, and nursing care, respond quickly and appropriately to the rapidly changing environment and tackle challenges ahead of its competitors to make a contribution to the extension of the healthy life expectancy for men and women in Japan and the establishment and maintenance of sustainable social security systems. To this end, we will develop and propose customer support systems which will help patients, medical institutions, specialists in the fields of home and nursing care, etc. to solve their problems. In the dispensing pharmacies business, we will take active measures such as propelling pharmacy function reform to transform existing pharmacies into ones more focused on local healthcare support services as well as ones operating in closer coordination with specialty medical institutions, seeking to promote a shift toward a business model that focuses on providing value-added services useful in a wide range of areas.

In anticipation of the era in which generic drugs account for 80% or more of the pharmaceuticals market on a volume basis, we aim to ensure a stable supply of generic drugs whose quality is warranted by independent validation. The Group believes this will provide solutions to problems faced by patients and medical institutions and help to increase the Group’s profitability.

Meanwhile, we will put more effort into consolidation and standardization of operations and workforce optimization on a group-wide basis so as to boost productivity, secure stable profits, and increase earnings.

Keenly aware of the public nature of our business as a medical services and healthcare company and our mission as part of the social infrastructure, we will seek to supply safe and secure pharmaceuticals by reviewing our functions from a business continuity perspective without placing the greatest emphasis on economic rationality, and making the investment necessary for ensuring stable pharmaceutical supply during disasters, pandemics, etc. supported by stakeholders’ trust and cooperation.

Through the implementation of the above-mentioned measures, we will strive to become a corporate group relied upon and continuously supported by all stakeholders including patients, customers, local communities, shareholders, and employees.

4. Basic Idea for Selection of Accounting Standards

In order to ensure comparability between companies over time, the Group prepares its consolidated financial statements in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (excluding Chapters 7 and 8) (Ordinance of the Ministry of Finance No. 28 of 1976).

The Group will appropriately apply international accounting standards, while taking domestic and overseas situations into account.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: million yen)

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	67,943	79,607
Trade notes and accounts receivable	281,657	287,205
Inventories	73,088	78,590
Purchase rebates receivable	15,498	13,993
Others current assets	19,815	20,240
Allowance for doubtful accounts	-277	-209
Total current assets	457,724	479,427
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,309	33,785
Vehicles, net	9	10
Land	43,593	43,207
Leased assets, net	5,746	4,430
Construction in progress	11,102	375
Others	948	7,284
Property, plant and equipment, net	90,709	89,095
Intangible assets		
Goodwill	2,614	1,360
Others	2,545	2,620
Total intangible assets	5,159	3,981
Investments and other assets		
Investment securities	81,718	80,676
Long-term loans receivable	2,619	2,881
Deferred tax assets	569	1,592
Other assets	8,765	8,606
Allowance for doubtful accounts	-2,584	-2,533
Total investments and other assets	92,206	91,222
Total non-current assets	188,075	184,299
Total assets	645,799	663,727

(Unit: million yen)

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Liabilities		
Current liabilities		
Trade notes and accounts payable	369,179	374,322
Short-term borrowings	282	278
Current portion of bonds	—	7,955
Current portion of long-term loans payable	662	308
Lease obligations	2,062	1,787
Accrued income taxes	6,335	4,204
Accrued expenses	2,382	2,396
Provision for bonuses	3,541	3,428
Provision for directors' bonuses	69	71
Provision for sales returns	344	349
Asset retirement obligations	2	25
Other current liabilities	5,964	5,137
Total current liabilities	390,827	400,265
Long-term liabilities		
Corporate bonds	15,026	20,083
Long-term borrowings	5,898	5,594
Lease obligations	3,232	1,849
Deferred tax liabilities	18,236	17,147
Deferred tax liabilities for land revaluation	865	788
Liability for retirement benefits	1,918	1,986
Asset retirement obligations	1,093	1,094
Negative goodwill	24	7
Other long-term liabilities	904	1,060
Total long-term liabilities	47,200	49,612
Total liabilities	438,027	449,878
Net assets		
Shareholders' equity		
Common stock	10,649	10,649
Capital surplus	47,874	48,566
Retained earnings	140,317	151,943
Treasury stock	-16,612	-20,257
Total shareholders' equity	182,228	190,902
Accumulated other comprehensive income		
Unrealized gain on other securities	29,708	27,285
Revaluation reserve for land	-4,333	-4,507
Total accumulated other comprehensive income	25,374	22,777
Stock subscription rights	168	168
Total net assets	207,772	213,848
Total liabilities and net assets	646,514	663,727

(2) Consolidated Statements of Income and Statements of Comprehensive Income
Consolidated Statements of Income

(Unit: million yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Net sales	1,213,342	1,222,199
Cost of sales	1,099,149	1,110,152
Gross profit	114,192	112,046
Provision for sales returns	20	4
Gross profit-net	114,172	112,042
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	44,628	44,984
Provision for bonuses	3,504	3,376
Provision for directors' bonuses	69	71
Retirement benefits expense	295	222
Welfare compensation	7,947	8,023
Transportation expenses	1,108	1,166
Provision of allowance for doubtful accounts	17	-104
Depreciation and amortization	4,498	4,869
Amortization of goodwill	1,957	1,572
Rent expenses	7,060	7,127
Taxes and dues	1,769	1,784
Non-deductible temporary paid consumption tax expense	5,151	5,159
Others	17,146	18,004
Total selling, general and administrative expenses	95,155	96,258
Operating income	19,016	15,783
Non-operating income		
Interest income	70	94
Dividends income	1,582	1,336
Research fee income	3,130	3,180
Income from rental properties	799	803
Amortization of negative goodwill	24	17
Equity in earnings of an affiliate	53	53
Others	939	688
Total non-operating income	6,600	6,175
Non-operating expenses		
Interest expense	50	30
Commitment fee	49	24
Expenses for rental properties	360	266
Settlement	59	-
Others	52	184
Total non-operating expenses	571	506
Ordinary income	25,045	21,452

(Unit: million yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Extraordinary income		
Gain on sales of fixed assets	46	19
Others	45	4
Total extraordinary income	92	23
Extraordinary losses		
Loss on disposal of fixed assets	119	165
Loss on impairment of fixed assets	469	93
Impairment loss on investments in subsidiaries and affiliates	548	290
Others	802	13
Total extraordinary losses	1,940	563
Profit before income taxes	23,196	20,913
Current	9,016	7,096
Deferred	-204	-46
Total income taxes	8,812	7,050
Profit	14,384	13,863
Profit attributable to owners of parent	14,384	13,863

Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Profit	14,384	13,863
Other comprehensive income		
Unrealized gain on other securities	7,859	-2,409
Share of other comprehensive income of an affiliate accounted for by the equity method	13	-13
Total other comprehensive income	7,872	-2,422
Comprehensive income	22,257	11,440
Total comprehensive income attributable to:		
Owners of parent	22,257	11,440
Non-controlling interests	—	—

(3) Consolidated Statement of Changes in Shareholders' Equity
Previous fiscal year (From April 1, 2017 to March 31, 2018)

(Unit: million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the beginning of the period	10,649	47,856	128,123	-16,051	170,577
Changes during the year					
Cash dividends paid			-2,059		-2,059
Profit attributable to owners of parent for the period			14,384		14,384
Purchase of treasury stock				-626	-626
Disposal of treasury stock		17		65	83
Change of scope of consolidation			-177		-177
Reversal of revaluation reserve for land			46		46
Net changes in items other than shareholders' equity					
Total changes during the year	—	17	12,194	-560	11,651
Balance at the end of period	10,649	47,874	140,317	-16,612	182,228

	Accumulated other comprehensive income			Stock subscription rights	Total net assets
	Unrealized gain on other securities	Revaluation reserve for land	Total accumulated other comprehensive income		
Balance at the beginning of the period	21,836	-4,287	17,548	145	188,271
Changes during the year					
Cash dividends paid					-2,059
Profit attributable to owners of parent for the period					14,384
Purchase of treasury stock					-626
Disposal of treasury stock					83
Change of scope of consolidation					-177
Reversal of revaluation reserve for land					46
Net changes in items other than shareholders' equity	7,872	-46	7,826	23	7,849
Total changes during the year	7,872	-46	7,826	23	19,500
Balance at the end of period	29,708	-4,333	25,374	168	207,772

Current fiscal year (From April 1, 2018 to March 31, 2019)

(Unit: million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the beginning of the period	10,649	47,874	140,317	-16,612	182,228
Changes during the year					
Cash dividends paid			-2,025		-2,025
Profit attributable to owners of parent for the period			13,863		13,863
Purchase of treasury stock				-10,002	-10,002
Disposal of treasury stock		692		6,357	7,050
Change of scope of consolidation			-384		-384
Reversal of revaluation reserve for land			173		173
Net changes in items other than shareholders' equity					
Total changes during the year	—	692	11,626	-3,644	8,673
Balance at the end of period	10,649	48,566	151,943	-20,257	190,902

	Accumulated other comprehensive income			Stock subscription rights	Total net assets
	Unrealized gain on other securities	Revaluation reserve for land	Total accumulated other comprehensive income		
Balance at the beginning of the period	29,708	-4,333	25,374	168	207,772
Changes during the year					
Cash dividends paid					-2,025
Profit attributable to owners of parent for the period					13,863
Purchase of treasury stock					-10,002
Disposal of treasury stock					7,050
Change of scope of consolidation					-384
Reversal of revaluation reserve for land					173
Net changes in items other than shareholders' equity	-2,422	-173	-2,596	-0	-2,596
Total changes during the year	-2,422	-173	-2,596	-0	6,076
Balance at the end of period	27,285	-4,507	22,777	168	213,848

(4) Consolidated Statements of Cash Flows

(Unit: million yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Profit before income taxes	23,196	20,913
Depreciation and amortization	4,498	4,869
Loss on impairment of fixed Assets	469	93
Amortization of goodwill	1,957	1,572
Amortization of negative goodwill	-24	-17
Increase in net defined benefit liability	132	68
(Decrease) increase in provision for sales returns	20	4
Increase in provision for bonuses	34	-122
Decrease in provision for directors' bonuses	-6	2
Decrease in allowance for doubtful accounts	-55	-128
Interest and dividend income	-1,653	-1,431
Interest expense	50	30
(Gain) loss on sales or disposal of fixed assets, net	73	146
(Gain) loss on sales and valuation of investment securities, net	797	11
Increase in trade notes and accounts receivable	2,466	-5,355
Increase in inventories	499	-5,394
Increase (decrease) in other assets	-284	1,862
(Decrease) increase in trade notes and accounts payable	20,138	5,027
(Decrease) increase in other liabilities	1,349	-130
(Decrease) increase in accrued consumption taxes	808	-957
Others	-3,570	-3,694
Subtotal	50,899	17,370
Interest and dividend received	1,642	1,398
Interest paid	-122	-74
Income taxes paid	-4,829	-9,750
Others, net	4,388	4,485
Net cash provided by operating activities	51,978	13,428

(Unit: million yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Cash flows from investing activities		
Payments for time deposits	-1,147	-1,047
Proceeds from withdrawal of time deposits	1,120	1,115
Payments for purchases of property, plant and equipment	-8,456	-2,799
Proceeds from sales of property, plant and equipment	300	479
Payments for purchases of intangible assets	-550	-1,000
Proceeds from sales of intangible assets	5	0
Payments for purchases of investment securities	-3,329	-2,952
Proceeds from sales of investment securities	4	2
Payments for purchases of investments in subsidiaries and affiliates	-30	-791
Proceeds from sales of investment in subsidiaries and affiliates	11	—
Expenditures on asset retirement obligations	-17	-10
Payments of loans receivable	-218	-672
Proceeds from collection of loans receivable	93	174
Others, net	-235	-146
Net cash used in investing activities	-12,448	-7,649
Cash flows from financing activities		
Decrease in short-term bank loans, net	-2,454	-141
Proceeds from long-term debt	5,000	—
Repayments of long-term debt	-1,725	-792
Proceeds from issuance of bonds	—	20,100
Purchases of treasury stock	-626	-10,002
Repayments of finance lease obligations	-1,889	-1,808
Cash dividends paid	-2,059	-2,025
Net cash used in financing activities	-3,754	5,329
Net (decrease) increase in cash and cash equivalents	35,775	11,109
Cash and cash equivalents at beginning of the year	27,721	63,671
Increase in cash and cash equivalents arising from business combination	174	601
Cash and cash equivalents at end of the year	63,671	75,382

- (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: 18

The identities of primary consolidated subsidiaries are provided in State of Associated Companies of 2. “State of Corporate Group.”

(2) Name of Major Unconsolidated Subsidiary

Name of main unconsolidated subsidiary:

Nextit Research Institute Co., Ltd

(Reason for exclusion of scope of consolidation)

The unconsolidated subsidiary is small in size and does not have any significant effect on the Company’s consolidated total assets, net sales, consolidated profit, or retained earnings. Moreover, as it is insignificant taken as a whole, it is excluded from the scope of consolidation.

2. Application of Equity Method

(1) Number of Affiliates Accounted for by Equity Method: 1

Names of Primary Affiliates:

Sakai Yakuhin.

(2) State of unconsolidated Subsidiaries and Affiliates Not Accounted for by Equity Method

Names of primary unconsolidated subsidiaries:

Nextit Research Institute, Inc.

Names of Primary Affiliates:

Wakaba

(Reason for non-application of the equity method)

Unconsolidated subsidiary and affiliate not accounted for by the equity method are excluded from being accounted for by equity method, because they individually do not have any significant effect on the Company’s consolidated profit or retained earnings, and also are insignificant as a whole.

3. Fiscal Year Adopted by Consolidated Subsidiaries

The fiscal year end of each consolidated subsidiary corresponds to the Company’s consolidated fiscal year end.

4. Accounting Principles

(1) Basis and Method of Valuation of Significant Assets

① Securities

Held-to-maturity debt securities

Valued at amortized cost by the straight-line method.

Other securities

With market value:

.....Measured at fair value based on market price as of the end of the fiscal year. (All unrealized gains and losses are included directly in net assets, while the cost of securities sold are determined using the moving-average method.)

Without market value:

.....Measured at cost while the cost of securities sold are determined by the moving-average method.

For investments in an investment limited partnership or other similar partnerships (Securities as defined in Article 2, paragraph 2 of the Securities Exchange Law), the Company books the net value of proportional holdings based on the most recent available financial report of the association, according to the financial settlement date stipulated in the association contract.

② Inventories

Inventories of 4 consolidated subsidiaries (TOHO PHARMACEUTICAL CO., LTD., Kyushu Toho Co., Ltd, SAYWELL Inc., and KOYO Co., Ltd.) are stated at the lower of cost or net realizable value, cost being determined by moving average method.

Inventories of the remaining consolidated subsidiaries are stated at cost determined by the last purchase price method.

(2) Method of Depreciation of Significant Depreciable Assets

① Property, plant, and equipment (excluding leased assets)

Depreciated by the declining-balance method. However, buildings (except for facilities attached to buildings) acquired on and after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on and after April 1, 2016 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

Tools, furniture and fixtures: 5 - 15 years

② Intangible assets (excluding leased assets)

Amortized by the straight-line method.

Software for internal use is amortized by the straight-line method over the estimated useful life for internal use purpose (five years).

③ Leased assets

Leased assets related to finance lease transactions that do not transfer the ownership to the lessee:

Leased assets related to finance lease transactions that do not transfer the ownership to the lessee are accounted for by using the straight-line method over their leased periods which are deemed to be their useful life with no residual value.

(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 general receivables. For specific receivables subject to possible losses, the recoverability of individual accounts is assessed to estimate the uncollectible amount.

② Provision for bonuses

To provide for bonus payment to employees and directors who hold position as employee, reserve for bonuses is recognized based on the amounts expected to be paid that is afforded by the current fiscal year.

③ Provision for directors' bonuses

To provide for bonus payment to directors, reserve for directors' bonuses is recognized based on the amounts expected to be paid that is afforded by the current fiscal year.

④ Provision for sales returns

To provide for sales return losses, reserve for sales returns is provided based on estimated amounts of loss due to sales returns.

(4) Accounting for Retirement Benefits

7 consolidated subsidiaries (SQUARE·ONE Co., Ltd, PHARMA DAIWA, J.MIRAIMEDICAL, PHARMA MIRAI INC., VEGA PHARMA, Tokyo Research Center of Clinical Pharmacology Co., Ltd., and ALF Inc.) adopt the simplified method in calculating projected benefit obligations for lump-sum retirement benefit plans, recognizing liabilities at amounts to be required for voluntary termination at the year-end. The Company and 2 consolidated subsidiaries (TOHO PHARMACEUTICAL CO., LTD. and Toho System Service Co., Ltd.) 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 31, 2019 to prepare for the payment of retirement benefits to these employees. Actuarial gains or losses are insignificant, and thus recognized as expenses in the fiscal year when accrued.

(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 and Cash Equivalents in Consolidated Statements of Cash Flows

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of changes in value.

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

Method of Accounting for Consumption Taxes and Others

All financial statement items are net of consumption taxes.

(Change in accounting policy)
(Adoption of Implementation Guidance on Tax Effect Accounting)

The Company has adopted the Implementation Guidance on Tax Effect Accounting (ASBJ Statement No. 28 on February 16, 2018), beginning with the consolidated fiscal year under review. The Company is in the process of updating the deferred taxes recognized as temporary differences in income arising from investments in subsidiaries in non-consolidated financial statements. No retroactive adjustment has been made in relation to this matter because its impact is minimal.

(Change in the Presentation of Consolidated Financial Statements)

(Changes made in association with the adoption of the Partial Amendments to Accounting Standard for Tax Effect Accounting)

The Company has adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 on February 16, 2018) starting from the beginning of the consolidated fiscal year under review. As a result, deferred tax assets have been reclassified in investments and other assets, and deferred tax liabilities have been reclassified in non-current liabilities.

Accordingly, 1,117 million yen out of deferred tax assets totaling 1,831 million yen in current assets on the consolidated balance sheet for the preceding fiscal year has been restated as part of the 1,686 million yen deferred tax assets in investments and other assets. Deferred tax assets worth 714 million yen have been offset by deferred tax liabilities in non-current liabilities on the same balance sheet.

(Consolidated income statement)

Gains on liquidation of affiliates, which were presented independently in extraordinary profit for the preceding consolidated fiscal year, have been reclassified in Other Profit or Loss, beginning in the consolidated fiscal year under review because the liquidation gains represented less than 10/100 of total extraordinary profit. Retroactive adjustment has been made to the consolidated financial statements for the preceding fiscal year in order to reflect the change in the way of presentation.

Accordingly, 39 million yen gains on liquidation of affiliates presented in extraordinary profit have been reclassified in Other Profit or Loss on the consolidated financial statements for the prior fiscal year.

Investment securities valuation loss, which was presented independently as extraordinary loss for the preceding consolidated fiscal year, has been reclassified in Other Profit or Loss, beginning in the consolidated fiscal year under review because the valuation loss represented less than 10/100 of total extraordinary loss. Retroactive adjustment has been made to the consolidated financial statements for the preceding fiscal year in order to reflect the change in the method of presentation.

Accordingly, 798 million yen investment securities valuation loss presented in extraordinary loss has been reclassified in Other Profit or Loss on the consolidated financial statements for the prior fiscal year.

(Notes to Consolidated Balance Sheets)

*1 Accumulated depreciation of property, plant and equipment:

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
	49,449 million yen	51,044 million yen

*2 Investments in unconsolidated subsidiaries and affiliates:

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Investment securities	13,741 million yen	13,106 million yen

*3 Assets pledged as collateral and liabilities secured by collateral

Classified assets pledged

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Time deposits	265 million yen	165 million yen
Buildings	1,766 million yen	1,733 million yen
Land	4,623 million yen	4,203 million yen
Investment securities	4,681 million yen	3,860 million yen
Total	11,335 million yen	9,962 million yen

Liabilities secured by collateral

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Trade notes and accounts payable	22,925 million yen	21,688 million yen
Long-term borrowings (including current portion of long-term borrowings due within one year)	1,322 million yen	1,124 million yen
Total	24,247 million yen	22,812 million yen

*4 Land revaluation

Pursuant to the “Law concerning Land Revaluation” (Act No. 34, issued on March 31, 1998) and the “Law for Partial Revision of Law concerning Land Revaluation” (Act No. 19, issued on March 31, 2001), the Company revalued its land used for business purposes and accordingly recorded the amount of revaluation difference in value, net of “deferred tax liabilities for land revaluation”, in “Revaluation reserve for land” under shareholders’ equity.

• 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, issued on March 31, 1998)

• Date of revaluation:

March 31, 2002

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Unrecognized loss on land	1,329 million yen	1,289 million yen

*5 Certain consolidated subsidiaries have entered into loan commitment agreements with banks to obtain working capital.

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Total loan commitments	12,000 million yen	12,000 million yen
Loans payable outstanding	-	-
Outstanding balance	12,000 million yen	12,000 million yen

In addition, in order to raise funds for general business purposes in an effective manner, the Company had commitment line agreements with banks.

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Total loan commitments	1,000 million yen	1,000 million yen
Loans payable outstanding	-	-
Outstanding balance	1,000 million yen	1,000 million yen

(Notes to Consolidated Statements of Income)

*1 Gain on sales of fixed assets:

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Gain on sale of buildings	18 million yen	-
Gain on sales of land	24 million yen	15 million yen
Gain on sale of furniture and fixtures	3 million yen	3 million yen
Total	46 million yen	19 million yen

*2 Loss on disposal of fixed assets:

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Loss on disposal of buildings	90 million yen	43 million yen
Loss on disposal of furniture and fixtures	20 million yen	6 million yen
Loss on disposal of software	1 million yen	0 million yen
Loss on sale of buildings	1 million yen	0 million yen
Loss on sale of land	5 million yen	112 million yen
Loss on sale of vehicles and carriers	1 million yen	1 million yen
Total	119 million yen	165 million yen

*3 Impairment loss

The Group recognized impairment losses on the following asset groups during the fiscal year under review.

The Company and its consolidated subsidiaries group assets principally into assets used for business purpose, leased assets and idle assets. For assets used for business purpose, the smallest unit is the asset group is determined based on each office, while the smallest unit for leased assets and idle assets is the individual asset.

Previous fiscal year (From April 1, 2017 to March 31, 2018)

Location	Purpose	Class
Urasa Pharmacy and other 18 sites	Real estate for business use	Land, buildings and goodwill
Former Oshu Sales Office and other 12 sites	Idle real estate	Land and buildings
-	-	Goodwill

The Group reduced the book value of real estates used for business purposes to the recoverable amount due to consecutive losses, and recognized an impairment loss of 284 million yen. It comprised 51 million yen on land, 201 million yen on buildings, and 32 million yen on goodwill. The recoverable amount was measured based on the net realizable value. The recoverable amounts were based on the amounts assessed by real estate appraisers, but some assets that were insignificant were based on the value assessed for tax purpose.

An impairment loss of 184 million yen on idle real estates that were not used for business purposes was recognized due to the decision-making for sales and the continuous decline in market prices. It comprised 125 million yen on land, and 59 million yen on buildings. The Group measured recoverable amounts based on net realizable value. The recoverable amounts were based on the amounts assessed by real estate appraisers, but some assets that were insignificant were based on the tax assessments of fixed assets.

Current fiscal year (From April 1, 2018 to March 31, 2019)

Location	Purpose	Class
Former Ube Sales Office and other 15 sites	Idle real estate	Land

An impairment loss of 93 million yen on idle real estates that were not used for business purposes was recognized due to the decision-making for sales and the continuous decline in market prices. It comprised 67 million yen on land, and 26 million yen on buildings. The Group measured recoverable amounts based on net realizable value. The recoverable amounts were based on the amounts assessed by real estate appraisers, but some assets that were insignificant were based on the tax assessments of fixed assets.

(Notes to Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustments and tax effects regarding other comprehensive income

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Unrealized gain on other securities		
Amount arising during the year	11,333 million yen	-3,446 million yen
Reclassification adjustments of gains and losses included in net income	-0 million yen	11 million yen
Amount before tax effect	11,333 million yen	-3,434 million yen
Tax effect	-3,474 million yen	1,024 million yen
Unrealized gain on other securities	7,859 million yen	-2,409 million yen
Share of other comprehensive income of affiliate accounted for by equity method		
Amount arising during the year	13 million yen	-13 million yen
Total other comprehensive income	7,872 million yen	-2,422 million yen

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

Previous fiscal year (From April 1, 2017 to March 31, 2018)

1. Types and total number of outstanding stocks, and types and number of treasury stock

Types of stocks	No. of shares as of end of previous period (in thousand shares)	No. of shares increased during this period (in thousand shares)	No. of shares decreased during this period (in thousand shares)	No. of shares as of the end of this period (in thousand shares)
Outstanding stocks				
Common stock	78,270	—	—	78,270
Total	78,270	—	—	78,270
Treasury stock				
Common stock (Note)	9,518	287	38	9,767
Total	9,518	287	38	9,767

(Note) 1. The increase of 287 thousand shares in treasury common stocks represents an increase of 287 thousand shares authorized by the Board of Directors and an increase of 0 shares as a result of the purchase of odd-lot shares.

2. The decrease of 38 thousand shares in treasury common stocks represents a disposal as restricted stock compensation.

2. Stock subscription rights

Account	Description	Types of shares issued	Number of target shares (in thousand shares)				Balance at current period end (million yen)
			As of previous period end	Increase	Decrease	As of current period end	
TOHO HOLDINGS CO., LTD.	Euro-Yen convertible corporate bonds due in 2019 with subscription rights to shares (Note 1,2,3)	Common stock	6,767	16	—	6,784	—
	Stock subscription rights as stock options	—	—	—	—	—	168
Total			6,767	16	—	6,784	168

(Note) 1.The number of subscription rights to stocks is the number of shares arrived at on the assumption that such rights are exercised.

2.The liability and equity components of the convertible bonds are not accounted for separately.

3.The increase of 16 thousand shares of the number of subscription rights to shares was due to adjustment of the conversion value in accordance with the provision related to the adjustment of the conversion value in the corporate bond guidebook.

3. Dividends

(1) Dividend payment

Resolution	Type of stocks	Total dividend amount (million yen)	Dividend per share (yen)	Record date	Effective date
May 11, 2017 Board of directors	Common stock	1,031	15	March 31, 2017	June 9, 2017
November 8, 2017 Board of directors	Common stock	1,031	15	September 30, 2017	December 5, 2017

(2) Dividend whose record date falls within this term and whose effective date comes in the next term

Resolution	Type of stocks	Total dividend amount (million yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
May 9, 2018 Board of directors	Common stock	1,027	Retained earnings	15	March 31, 2018	June 8, 2018

Current fiscal year (From April 1, 2018 to March 31, 2019)

1. Types and total number of outstanding stocks, and types and number of treasury stocks

Types of stocks	No. of shares as of end of previous period (in thousand shares)	No. of shares increased during this period (in thousand shares)	No. of shares decreased during this period (in thousand shares)	No. of shares as of the end of this period (in thousand shares)
Outstanding stocks				
Common stock	78,270	—	—	78,270
Total	78,270	—	—	78,270
Treasury stock				
Common stock (Note)	9,767	3,549	3,196	10,120
Total	9,767	3,549	3,196	10,120

(Note) 1. The increase of 3,549 thousand shares in treasury common stocks represents an increase as a result of board of directors resolution by 3,548 thousand shares and an increase of increase of 1 thousand shares as a result of the purchase of odd-lot shares.

2. The decrease of 3,196 thousand shares in treasury common stocks represents a decrease due to the exercising of subscription rights of Euro-yen denominated convertible bonds maturing in 2019.

2. Stock subscription rights

Account	Description	Types of shares issued	Number of target shares (in thousand stocks)				Balance at current period end (million yen)
			As of previous period end	Increase	Decrease	As of current period end	
TOHO HOLDINGS CO., LTD.	Euro-Yen convertible corporate bonds due in 2019 with subscription rights to shares (Note 1,2,3)	Common stock	6,784	16	3,196	3,604	—
	Euro-Yen convertible corporate bonds due in 2023 with subscription rights to shares (Note 1,2,3)	Common stock	—	5,973	—	5,973	—
	Stock subscription rights as stock options	—	—	—	—	—	168
Total			6,784	5,990	3,196	9,578	168

(Note)1.The number of subscription rights to shares is the number of shares arrived at on the assumption that such rights are exercised.

2.The liability and equity components of the convertible bonds are not accounted for separately.

3.The increase of 16 thousand stocks of the number of Euro-Yen convertible corporate bonds due in 2019 with subscription rights to shares was due to adjustment of the conversion value in accordance with the provision related to the adjustment of the conversion value in the corporate bond guidebook.

4. The decrease of 3,196 thousand stocks of the number of Euro-Yen convertible corporate bonds due in 2019 with subscription rights to shares was due to a decrease due to the exercising of subscription rights.

3. Dividends

(1) Dividend payment

Resolution	Type of stocks	Total dividend amount (million yen)	Dividend per share (yen)	Record date	Effective date
May 9, 2018 Board of directors	Common stock	1,027	15	March 31, 2018	June 8, 2018
November 7, 2018 Board of directors	Common stock	998	15	September 30, 2018	December 7, 2018

(2) Dividend whose record date falls within this term and whose effective date comes in the next term

Resolution	Type of stocks	Total dividend amount (million yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
May 9, 2019 Board of directors	Common stock	1,022	Retained earnings	15	March 31, 2019	June 7, 2019

(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

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Cash and deposits	67,943 million yen	79,607 million yen
Time deposits with a maturity of more than three months or less	-4,271 million yen	-4,225 million yen
Short-term investments (investment securities) with a maturity of three months or less from the date of acquisition	— million yen	— million yen
Cash and cash equivalents	63,671 million yen	75,382 million yen

2 Details of significant non-cash transactions

Previous fiscal year (From April 1, 2017 to March 31, 2018)

The assets and liabilities related to finance leases which were newly recognized in the current period were 586 million yen, respectively.

Current fiscal year (From April 1, 2018 to March 31, 2019)

The assets and liabilities related to finance leases which were newly recognized in the current period were 348 million yen, respectively.

(Segment Information)

1. Outline of reportable segments

The reportable 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 pharmacies 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 Group 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 Wholesale Sales of Pharmaceuticals, Dispensing Pharmacies, Site Management Organization, and Information Equipment Sales.

Each of the segments is engaged in the following operations: Wholesale Sales of Pharmaceuticals, sales of pharmaceuticals, narcotics, reagents, etc., and sales of medical devices; Dispensing Pharmacies, operation of health insurance pharmacy and home medical care business, and pharmaceutical sales; Site Management Organization, site management organization services; and Information Equipment Sales, design and sales of information processing equipment.

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

The accounting policies for the reportable segments are generally the same as those described in the “Basic Significant Matters Regarding Preparing Consolidated Financial Statements”.

The 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

Previous fiscal year (from April 1, 2017 to March 31, 2018)

	Reportable segments					Adjustments (million yen) (Note 1)	Consolidated total (million yen) (Note 2)
	Wholesale Sales of Pharmaceuticals (million yen)	Dispensing Pharmacies (million yen)	Site Mangement Organization (million yen)	Information Equipment Sales (million yen)	Total (million yen)		
Net sales							
(1) Sales to external customers	1,113,903	97,651	323	1,463	1,213,342	—	1,213,342
(2) Inter-segment sales	46,835	367	—	232	47,435	-47,435	—
Total	1,160,739	98,019	323	1,695	1,260,777	-47,435	1,213,342
Segment profit	17,155	3,564	89	64	20,874	-1,857	19,016
Segment assets	513,326	47,243	934	2,053	563,556	82,957	646,514
Other items							
Depreciation and amortization	2,410	914	7	26	3,359	1,139	4,498
Amortization of goodwill	127	1,830	—	—	1,957	—	1,957
Amortization of negative goodwill	—	24	—	—	24	—	24
Loss on impairment of fixed assets	307	162	—	—	469	—	469
Investment in an affiliate accounted for by the equity method	1,472	—	—	—	1,472	—	1,472
Unamortized balance of goodwill	70	2,544	—	—	2,614	—	2,614
Unamortized balance of negative goodwill	—	24	—	—	24	—	24
Capital expenditures	8,524	534	33	212	9,305	101	9,406

(Note) 1. Adjustments comprised the following items:

- (1) The adjustment amounts of segment profits represented the elimination of inter-segment transactions, unrealized profit, and corporate expenses not allocated to any reportable segment.
 - (2) The adjustment amounts of segment assets included 104,396 million yen of the corporate assets that are not allocated to any business segment, in addition to the elimination of inter-segment transactions. The corporate assets mainly consist of surplus funds under management (cash and deposits) and long-term investment funds (investment securities and other).
2. The amounts of segment profit were subsequently adjusted with the amount of operating income in the Consolidated Statements of Income.

Current fiscal year (from April 1, 2018 to March 31, 2019)

	Reportable segments					Adjustments (million yen) (Note 1)	Consolidated total (million yen) (Note 2)
	Wholesale Sales of Pharmaceuticals (million yen)	Dispensing Pharmacies (million yen)	Site Mangement Organization (million yen)	Information Equipment Sales (million yen)	Total (million yen)		
Net sales							
(1) Sales to external customers	1,127,836	92,926	280	1,156	1,222,199	—	1,222,199
(2) Inter-segment sales	47,577	296	—	229	48,102	-48,102	—
Total	1,175,413	93,222	280	1,385	1,270,302	-48,102	1,222,199
Segment profit	16,084	1,425	55	36	17,601	-1,817	15,783
Segment assets	510,467	46,062	898	2,219	559,648	104,078	663,727
Other items							
Depreciation and amortization	2,769	829	7	15	3,622	1,247	4,869
Amortization of goodwill	55	1,517	—	—	1,572	0	1,572
Amortization of negative goodwill	—	17	—	—	17	—	17
Loss on impairment of fixed assets	83	9	—	—	93	—	93
Investment in an affiliate accounted for by the equity method	1,531	—	—	—	1,531	—	1,531
Unamortized balance of goodwill	223	1,137	—	—	1,360	—	1,360
Unamortized balance of negative goodwill	—	7	—	—	7	—	7
Capital expenditures	3,035	782	0	265	4,084	-30	4,053

(Note) 1. Adjustments comprised the following items:

- (1) The adjustment amounts of segment profits represented the elimination of inter-segment transactions, unrealized profit, and corporate expenses not allocated to any reportable segment.
 - (2) The adjustment amounts of segment assets included 126,280 million yen of the corporate assets that are not allocated to any business segment, in addition to the elimination of inter-segment transactions. The corporate assets mainly consist of surplus funds under management (cash and deposits) and long-term investment funds (investment securities and other).
2. The amounts of segment profit were subsequently adjusted with the amount of operating income in the Consolidated Statements of Income.

(Related Information)

Previous fiscal year (from April 1, 2017 to March 31, 2018)

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 Statements of Income.

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

Among the net sales to outside customers, there are no customers accounting for 10% or more of total net sales in the Consolidated Statements of Income. Consequently, this description is omitted.

Current fiscal year (from April 1, 2018 to March 31, 2019)

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 Statements of Income.

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

Among the net sales to outside customers, there are no customers accounting for 10% or more of total net sales under the Consolidated Statements of Income. Consequently, this description is omitted.

(Information concerning impairment losses for fixed assets by reportable segment)

Previous fiscal year (from April 1, 2017 to March 31, 2018)

This description is omitted since the similar information is disclosed in the segment information above.

Current fiscal year (from April 1, 2018 to March 31, 2019)

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)

Previous fiscal year (from April 1, 2017 to March 31, 2018)

This description is omitted since the similar information is disclosed in the segment information above.

Current fiscal year (from April 1, 2018 to March 31, 2019)

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)

Previous fiscal year (from April 1, 2017 to March 31, 2018)

Not applicable.

Current fiscal year (from April 1, 2018 to March 31, 2019)

Not applicable.

(Amounts per Share)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Net asset per share	3,030.58 yen	3,135.45 yen
Profit attributable to owners of parent per share	209.84 yen	207.71 yen
Diluted profit attributable to owners of parent per share after adjustments on potential shares	190.60 yen	177.78 yen

(Note) 1. The basis of the calculation of profit attributable to owners parent per share and diluted profit attributable to owners parent per share after adjustments on potential shares is as follows:

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Profit attributable to owners parent per share		
Profit attributable to owners of parent (million yen)	14,384	13,863
Amount not attributed to shareholders of common stock (million yen)	—	—
Profit attributable to owners of parent from common stock (million yen)	14,384	13,863
Weighted-average number of shares of common stock outstanding	68,550,785	66,741,203
Diluted profit attributable to owners parent per share after adjustments on potential shares		
Adjustment for profit attributable to owners of parent (million yen)	-10	-25
(Including interest income (after deducting the portion equivalent to tax) (million yen))	(-10)	(-25)
Increase in number of shares of common stock	6,866,525	11,095,072
(Including stock subscription rights)	(82,265)	(82,231)
(Including bonds with stock subscription rights)	(6,784,260)	(11,012,841)
Outline of potential shares not included in calculation of current profit attributable to owners parent per share after adjustments on potential shares due to no dilution effect	—	

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

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Total net asset on the Consolidated Balance Sheets (million yen)	207,722	213,848
Amounts deducted from total net assets (million yen)	168	168
(Including: Stock subscription rights) (million yen)	(168)	(168)
Net assets available to owners of parent of common stock (million yen)	207,603	213,680
Number of shares of common stock for computation of net asset per share	68,502,941	68,149,831

(Significant Subsequent Events)

Not applicable.

6. Unconsolidated Financial Statements

(1) Balance Sheets

	(Unit: million yen)	
	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	22,371	43,704
Prepaid expenses	106	107
Other accounts receivable	3,061	3,905
Other current assets	7,280	570
Total current assets	32,819	48,288
Non-current assets		
Property, plant and equipment		
Buildings, net	14,147	18,859
Structures, net	472	648
Tools, furniture and fixtures, net	77	64
Land	20,547	20,170
Leased assets, net	870	649
Construction in progress	5,948	166
Property, plant and equipment, net	42,064	40,558
Intangible assets		
Leasehold right	12	12
Software	512	439
Others	50	13
Total intangible assets	574	464
Investments and other assets		
Investment securities	68,132	67,702
Shares of subsidiaries and affiliates	31,245	31,534
Investments in capital of subsidiaries and affiliates	612	527
Long-term loans receivable	967	939
Long-term loans receivable from subsidiaries and affiliates	2,569	2,764
Claims provable in bankruptcy, claims provable in rehabilitation and other	3,500	3,570
Long-term prepaid expenses	102	99
Other assets	1,455	1,759
Allowance for doubtful accounts	-2,860	-2,532
Total investments and other assets	105,724	106,365
Total non-current assets	148,363	147,388
Total assets	181,183	195,676

(Unit: million yen)

	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Liabilities		
Current liabilities		
Current portion of bonds	—	7,995
Current portion of long-term loans payable	360	40
Lease obligations	250	231
Asset retirement obligations	—	25
Accounts payable-other	164	204
Accrued expenses	58	64
Accrued income taxes	184	167
Accrued consumption taxes	24	—
Deposits received	8,836	9,160
Provision for bonuses	70	75
Provision for directors' bonuses	43	46
Other current liabilities	6	8
Total current liabilities	9,997	17,981
Long-term liabilities		
Corporate bonds	15,026	20,083
Long-term borrowings	40	—
Lease obligations	690	466
Deferred tax liabilities	17,054	15,954
Deferred tax liabilities for land revaluation	865	788
Provision for retirement benefits	13	11
Asset retirement obligations	295	279
Other long-term liabilities	193	193
Total long-term liabilities	34,178	37,778
Total liabilities	44,176	55,759
Net assets		
Shareholders' equity		
Common stock	10,649	10,649
Capital surplus		
Legal capital surplus	46,177	46,177
Other capital surplus	2,541	3,233
Total Capital surplus	48,718	49,410
Retained earnings		
Legal retained earnings	664	664
Other retained earnings		
Reserve for reduction entry of land	1,589	1,579
General reserve	6,336	6,336
Retained earnings brought forward	54,707	63,104
Total retained earnings	63,297	71,684
Treasury stock	-16,652	-20,297
Total shareholders' equity	106,013	111,447
Valuation and translation adjustments		
Unrealized gain on other securities	35,135	32,785
Revaluation reserve for land	-4,310	-4,484
Total valuation and translation adjustments	30,824	28,300
Stock subscription rights	168	168
Total net assets	137,006	139,916
Total liabilities and net assets	181,183	195,676

(2) Statements of Income

(Unit: million yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Operating revenue		
Income of management guidance	1,180	1,160
Income of real estate rent	2,114	2,268
Dividend income	8,103	9,911
Others	—	630
Total operating revenue	11,398	13,970
Operating expenses		
Real estate related expenses	1,417	1,496
General and administrative expenses		
Directors' compensations, salaries and allowances	1,379	1,399
Provision for bonuses	70	75
Provision for directors' bonuses	43	46
Provision for retirement benefits	-0	-0
Welfare expenses	157	217
Vehicle expenses	1	2
Provision of allowance for doubtful accounts	747	-328
Depreciation	364	406
Amortization of goodwill	—	0
Rent expenses	270	275
Taxes and dues	273	324
Commission fee	558	761
Others	540	622
Total operating expenses	5,822	5,298
Operating income	5,575	8,672
Non-operating income		
Interest income	140	117
Dividend income	1,214	1,276
Resarch fee income	144	192
Income from rental properties	13	13
Reversal of provision for loss on guarantees	732	—
Others	161	142
Total non-operating income	2,405	1,742
Non-operating expenses		
Interest expense	70	117
Bond issuance cost	—	50
Commitment fee	16	0
Commission for purchase of treasury stock	0	26
Others	5	28
Total non-operating expenses	93	223
Ordinary income	7,887	10,190

(Unit: million yen)

	Previous fiscal year (From April 1, 2017 to March 31, 2018)	Current fiscal year (From April 1, 2018 to March 31, 2019)
Extraordinary income		
Gain on sales of property, plant and equipment	0	12
Others	—	1
Total extraordinary income	0	14
Extraordinary loss		
Loss on disposal of property, plant and equipment	7	86
Loss on impairment of fixed assets	56	27
Impairment loss on investment securities	798	12
Impairment loss on investments in subsidiaries and affiliates	634	—
Total extraordinary loss	1,497	125
Profit before income taxes	6,390	10,078
Current	86	17
Deferred	28	-177
Total income taxes and other	114	-159
Profit	6,275	10,238

(3) Statement of Changes in Shareholders' Equity

Previous fiscal year (From April 1, 2017 to March 31, 2018)

(Unit: million yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the beginning of the current period	10,649	46,177	2,523	48,700
Changes during the year				
Cash dividends paid				
Profit				
Reversal of reserve for reduction entry of land				
Purchase of treasury stock				
Disposal of treasury stock			17	17
Reversal of revaluation reserve for land				
Net changes in items other than shareholders' equity				
Total changes during the year	—	—	17	17
Balance at the end of period	10,649	46,177	2,541	48,718

	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 beginning of the current period	664	1,599	6,336	50,434	59,034	-16,091	102,293
Changes during the year							
Cash dividends paid				-2,059	-2,059		-2,059
Profit				6,275	6,275		6,275
Reversal of reserve for reduction entry of land		-10		10	—		—
Purchase of treasury stock						-626	-626
Disposal of treasury stock						65	83
Reversal of revaluation reserve for land				46	46		46
Net changes in items other than shareholders' equity							
Total changes during the year	—	-10	—	4,273	4,262	-560	3,719
Balance at the end of period	664	1,589	6,336	54,707	63,297	-16,652	106,013

	Valuation and translation adjustments			Stock subscription rights	Total net assets
	Unrealized gain on other securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the beginning of the current period	27,295	-4,264	23,030	145	125,469
Changes during the year					
Cash dividends paid					-2,059
Profit					6,275
Reversal of reserve for reduction entry of land					—
Purchase of treasury stock					-626
Disposal of treasury stock					83
Reversal of revaluation reserve for land					46
Net changes in items other than shareholders' equity	7,840	-46	7,794	23	7,817
Total changes during the year	7,840	-46	7,794	23	11,536
Balance at the end of period	35,135	-4,310	30,824	168	137,006

Current fiscal year (From April 1, 2018 to March 31, 2019)

(Unit: million yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the beginning of the current period	10,649	46,177	2,541	48,718
Changes during the year				
Cash dividends paid				
Profit				
Reversal of reserve for reduction entry of land				
Purchase of treasury stock				
Disposal of treasury stock			692	692
Reversal of revaluation reserve for land				
Net changes in items other than shareholders' equity				
Total changes during the year	—	—	692	692
Balance at the end of period	10,649	46,177	3,233	49,410

	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 beginning of the current period	664	1,589	6,336	54,707	63,297	-16,652	106,013
Changes during the year							
Cash dividends paid				-2,025	-2,025		-2,025
Profit				10,238	10,238		10,238
Reversal of reserve for reduction entry of land		-9		9	—		—
Purchase of treasury stock						-10,002	-10,002
Disposal of treasury stock						6,357	7,050
Reversal of revaluation reserve for land				173	173		173
Net changes in items other than shareholders' equity							
Total changes during the year	—	-9	—	8,396	8,386	-3,644	5,433
Balance at the end of period	664	1,579	6,336	63,104	71,684	-20,297	111,447

(Unit: million yen)

	Valuation and translation adjustments			Stock subscription rights	Total net assets
	Unrealized gain on other securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the beginning of the current period	36,135	-4,310	30,824	168	137,006
Changes during the year					
Cash dividends paid					-2,025
Profit					10,238
Reversal of reserve for reduction entry of land					—
Purchase of treasury stock					-10,002
Disposal of treasury stock					7,050
Reversal of revaluation reserve for land					173
Net changes in items other than shareholders' equity	-2,349	-173	-2,523	-0	-2,523
Total changes during the year	-2,349	-173	-2,523	-0	2,909
Balance at the end of period	32,785	-4,484	28,300	168	139,916