

Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2018

August 1, 2017

Name of Listed Company: TOHO HOLDINGS CO., LTD. Listed: Tokyo Stock Exchange
 Securities Code Number: 8129 URL: <http://www.tohohd.co.jp/>
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Scheduled Submission Date for Quarterly Report: August 14, 2017 Planned Date of Dividends Payment: —
 Quarterly Supplemental Explanatory Material Prepared: None
 Quarterly Results Briefing Held: None

(Amounts are truncated to the nearest million yen.)

1. Consolidated Results of Operations during the First Quarter of Fiscal Year ending March 31, 2018 (from April 1, 2017 to June 30, 2017)

(1) Consolidated Results of Operations (Cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Quarter ended June 2017	299,279	-4.8	2,431	-35.2	3,856	-27.1	2,305	-34.2
First Quarter ended June 2016	314,333	6.5	3,753	39.6	5,293	22.8	3,503	157.8

(Note)Comprehensive income: First Quarter ended June 2017: 3,028 million yen (-27.8%); First Quarter ended June 2016: 4,196 million yen (147.4%)

	Current Net Income per Share	Current Net Income per Share - Diluted
	Yen	Yen
First Quarter ended June 2017	33.56	30.47
First Quarter ended June 2016	51.06	46.42

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	Million yen	Million yen	%
First Quarter ended June 2017	612,917	189,666	30.9
Fiscal Year ended March 2017	598,871	188,271	31.4

(Reference) Shareholder's equity: First Quarter ended June 2017: 189,497 million yen; Fiscal Year ended March 2017: 188,126 million yen

2. Historical Payment of Dividends

	Annual Cash Dividend per Share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year ended March 2017	—	15.00	—	15.00	30.00
Fiscal Year ending March 2018	—				
Fiscal Year ending March 2018 (Projected)		15.00	—	15.00	30.00

(Note)Revision of the dividend forecasts most recently announced: None

3. Projected Consolidated Results of Operations during Fiscal Year ending March 2018 (from April 1, 2017 to March 31, 2018)

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

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	573,000	-6.9	5,000	-34.6	7,200	-31.9	4,000	-41.9	58.18
Full year	1,186,000	-3.7	14,300	0.4	18,700	-5.8	10,300	-27.6	149.81

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

※ Notes

- (1) Changes in material subsidiaries during the first quarter ended June 2017: N.A.
 (Changes in special subsidiaries accompanying a change in the scope of consolidation)
 Inclusion — (Company name:) Exclusion —(Company name:)
- (2) Application of accounting process which is peculiar to the compilation of consolidated quarterly financial statements: N.A.
- (3) Changes in accounting policies and changes in accounting estimates, and correction and restatement
 (i) Changes in accounting policies with revisions in the accounting standards, etc.: N.A.
 (ii) Changes in accounting policies other than those under the item (i): N.A.
 (iii) Changes in the accounting estimates: N.A
 (iv) Correction and Restatement: N.A

(4) Number of shares outstanding (Common stock)

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

First Quarter ended June 2017	78,270,142	Fiscal Year ended March 2017	78,270,142
First Quarter ended June 2017	9,805,137	Fiscal Year ended March 2017	9,518,069
First Quarter ended June 2017	68,717,366	First Quarter ended June 2016	68,612,155

*This quarterly earnings report is exempt from the quarterly review.

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

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

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1. Qualitative Information on Financial Results for the First Quarter ended June 2017

(1) Explanation of Management Results

During the first quarter under review, the prescription pharmaceuticals market saw 3.2% negative growth compared to the same period of the previous year. While the results of the Company fell year on year below the market average due to a decrease in sales of the curative drugs for hepatitis C, the progress to projections exceeded the standard.

The Group has, as a corporate group engaged in the areas of medical care, health care, and nursing care, continued to develop and propose customer support systems to offer solutions to problems faced by patients, medical institutions and specialists etc. in the fields of home healthcare and nursing care. In addition, the Company has tackled to develop service and systems including new themes such as enhancement of function as a healthcare support pharmacy and establishment of a community comprehensive healthcare system, thereby promoting a shift to a business model that focuses on value-added services. In anticipation of the era in which generic drugs account for 80% or more of the off-patent pharmaceuticals market on a volume basis, KYOSOMIRAI PHARMA, which was established in November 2016, released 2 ingredients/11 products listed on the NHI drug prices as a supplement in June 2017, accordingly offering 4 ingredients/ 14 products as “KYOSOMIRAI PHARMA” brand products.

The Company’s operating results for the consolidated cumulative first quarter of the fiscal year ending March 2018 recorded 299,279 million yen for net sales (a decrease of 4.8% on a year-on-year basis), 2,431 million yen for operating income (a decrease of 35.2% on a year-on-year basis), 3,856 million yen for ordinary income (a decrease of 27.1% on a year-on-year basis), and 2,305 million yen for net income attributable to the shareholders of the parent company (a decrease of 34.2% on a year-on-year basis).

The progress rate compared to the forecasts for the first half of the fiscal year ending March 2018 is net sales of 52.2%, operating income of 48.6%, ordinary income of 53.6%, and net income attributable to the shareholders of the parent company of 57.6%.

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

In the pharmaceutical wholesaling business, completing an absorption-type merger of Godo Toho Co., Ltd. into TOHO PHARMACEUTICAL CO., LTD. in April, 2017 and newly establishing the Kansai branch, we reinforced a prompt cooperation structure as well as strengthened our operating base by increasing the number of members of the Kyoso Mirai Group in Pharmacy. Furthermore, aiming at spreading our customer support systems at early stage, we made efforts to increase the number of contracts especially for “Byouin-Navi”, “initial examination reservation service” and “ENIFvoice SP”.

As a result, in the first quarter of the current fiscal year, the pharmaceutical wholesaling business posted net sales of 286,808 million yen (a decrease of 5.3% on a year-on-year basis) and segment income (operating income) of 2,221 million yen (a decrease of 45.1% 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. As a result, in the first quarter of the current fiscal year, the dispensing pharmacy business posted net sales of 24,147 million yen (an increase of 2.8% on a year-on-year basis) and segment income (operating income) of 662 million yen (operating loss of 118 million yen in the same period of the previous fiscal year).

In the SMO operations, net sales for the first quarter ended June 2017 amounted to 75 million yen (a decrease of 18.9% on a year-on-year basis) and segment income (operating income) was 20 million yen (a decrease of 39.9% on a year-on-year basis).

In the information equipment sales operations, net sales for the first quarter ended June 2017 totaled 281 million yen (an increase of 32.6% on a year-on-year basis), with a segment loss (operating loss) of 58 million yen.

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

(2) Explanation of Financial Position

(Assets)

Current assets increased 2.7% from the end of the previous consolidated fiscal year to 438,509 million yen with an increase in cash and deposits of 7,401million yen, and an increase in merchandise and finished goods of 4,713million yen.

Noncurrent assets increased 1.5% from the end of the previous consolidated fiscal year to 174,407 million yen with an increase in investment securities of 3,860 million yen, a decrease in property, plant and equipment of 475 million yen and a decrease in goodwill of 507 million yen.

As a result, consolidated net assets increased 2.3% from the end of the previous consolidated fiscal year, to 612,917million yen.

(Liabilities)

Current liabilities increased 3.6% from the end of the previous consolidated fiscal year to 381,939 million yen with an increase in notes and accounts payable-trade of 12,315 million yen.

Noncurrent liabilities decreased 1.3% from the end of the previous consolidated fiscal year, to 41,310 million yen with a decrease in long-term loans payable of 395 million yen.

As a result, total liabilities increased 3.1% from the end of the previous consolidated fiscal year, to 423,250 million yen.

(Net assets)

Total net assets increased 0.7% from the end of the previous consolidated fiscal year to 189,666 million yen with an increase in retained earnings of 1,274 million yen, an increase in valuation difference on available-for-sale securities of 722 million yen, and an increase in treasury stocks of 625 million yen.

(3) Explanation of Projections of Consolidated Operating Results for Fiscal Year ending March 2018

There are no changes in the projected consolidated results of operations for the cumulative second quarter of the fiscal year ending March 2018 and the full-term of the fiscal year published on May 11, 2017.

2. Quarterly Consolidated Financial Statements and Main Notes Concerning
(1) Quarterly Consolidated Balance Sheets

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2017)	End of this consolidated first quarter (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	31,966	39,368
Notes and accounts receivable-trade	284,205	283,567
Merchandise and finished goods	73,575	78,289
Other	37,616	37,591
Allowance for doubtful accounts	-312	-307
Total current assets	427,052	438,509
Noncurrent assets		
Property, plant and equipment	86,371	85,896
Intangible assets		
Goodwill	4,300	3,792
Other	2,998	2,854
Total intangible assets	7,298	6,647
Investments and other assets		
Investment securities	68,781	72,642
Other	11,972	11,821
Allowance for doubtful accounts	-2,605	-2,600
Total investments and other assets	78,148	81,863
Total noncurrent asset	171,818	174,407
Total assets	598,871	612,917

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2017)	End of this consolidated first quarter (As of June 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	349,039	361,355
Short-term loans payable	4,216	4,012
Income taxes payable	3,020	1,725
Provision for bonuses	3,506	5,178
Provision for directors' bonuses	75	27
Provision for sales returns	324	315
Asset retirement obligations	-	1
Other	8,575	9,322
Total current liabilities	368,758	381,939
Noncurrent liabilities		
Bonds payable	15,041	15,037
Long-term loans payable	1,962	1,567
Provision for retirement benefits	1,786	1,802
Asset retirement obligations	1,078	1,076
Negative goodwill	49	42
Other	21,923	21,784
Total noncurrent liabilities	41,841	41,310
Total liabilities	410,599	423,250
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	47,856	47,856
Retained earnings	128,123	129,397
Treasury stock	-16,051	-16,677
Total shareholders' equity	170,577	171,226
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,836	22,558
Revaluation reserve for land	-4,287	-4,287
Total accumulated other comprehensive income	17,548	18,271
Subscription rights to shares	145	168
Total net assets	188,271	189,666
Total liabilities and net assets	598,871	612,917

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

(Unit: million yen)

	Cumulative period for previous consolidated first quarter (from April 1, 2016 to June 30, 2016)	Cumulative period for this consolidated first quarter (from April 1, 2017 to June 30, 2017)
Net sales	314,333	299,279
Cost of sales	286,568	273,069
Gross profit	27,765	26,210
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	10,398	10,343
Provision for bonuses	1,843	1,727
Provision for directors' bonuses	19	17
Retirement benefit expenses	57	53
Welfare expenses	1,953	1,961
Vehicle expenses	263	261
Provision of allowance for doubtful accounts	-8	-11
Depreciation	1,102	1,085
Amortization of goodwill	551	507
Rent expenses	1,724	1,760
Taxes and dues	465	459
Expense before deduction of temporary consumption tax payment	1,364	1,333
Other	4,275	4,277
Total selling, general and administrative expenses	24,011	23,778
Operating income	3,753	2,431
Non-operating income		
Interest income	12	13
Dividend income	438	477
Commission fee	739	709
Amortization of negative goodwill	6	6
Equity in earnings of affiliates	1	2
Other	542	401
Total non-operating income	1,740	1,612
Non-operating expenses		
Interest expenses	24	11
Expenses of real estate rent	136	90
Settlement package	-	59
Other	40	26
Total non-operating expenses	201	187
Ordinary income	5,293	3,856

(Unit: million yen)

	Cumulative period for previous consolidated first quarter (from April 1, 2016 to June 30, 2016)	Cumulative period for this consolidated first quarter (from April 1, 2017 to June 30, 2017)
Extraordinary income		
Gain on sales of noncurrent assets	135	0
Gain on sales of investment securities	-	0
Other	7	1
Total extraordinary income	143	2
Extraordinary loss		
Loss on disposal of noncurrent assets	19	30
Other	-	3
Total extraordinary loss	19	34
Income before income taxes	5,417	3,823
Income taxes-current	2,399	1,973
Income taxes-deferred	-485	-455
Total income taxes	1,913	1,518
Current net income	3,503	2,305
Profit attributable to owners of parent	3,503	2,305

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

(Unit: million yen)

	Cumulative period for previous consolidated first quarter (from April 1, 2016 to June 30, 2016)	Cumulative period for this consolidated first quarter (from April 1, 2017 to June 30, 2017)
Current net income	3,503	2,305
Other comprehensive income		
Valuation difference on available-for-sale securities	705	705
Share of other comprehensive income of associates accounted for using equity method	-12	17
Total other comprehensive income	692	722
Comprehensive income	4,196	3,028
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,196	3,028
Comprehensive income attributable to non-controlling interests	—	—

(3)Notes of Quarterly Consolidated Financial Statements

(Notes Concerning Premise of a Going Business)

Not applicable.

(Notes concerning Material Changes in Shareholders' Equity)

Cumulative period for this consolidated first quarter (from April 1, 2017 to June 30, 2017)

Not applicable

(Segmental Information)

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

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

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales							
(1) Net sales to external customers	290,674	23,406	92	160	314,333	—	314,333
(2) Inter-segment internal net sales or transfers	12,184	93	—	52	12,330	-12,330	—
Total	302,859	23,499	92	212	326,663	-12,330	314,333
Segment profit	4,043	-118	34	-69	3,888	-134	3,753

(Note) 1. The amount of the adjustments for segment profits or losses shows the elimination of internal transactions and unrealized profit.

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

2. Information about impairment losses on noncurrent assets or goodwill by each business segment
Not applicable

II Cumulative period for this consolidated first quarter (from April 1, 2017 to June 30, 2017)

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

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales							
(1) Net sales to external customers	274,963	24,051	75	189	229,279	-	299,279
(2) Inter-segment internal net sales or transfers	11,845	95	-	92	12,034	-12,034	-
Total	286,808	24,147	75	281	311,313	-12,034	299,279
Segment profit	2,221	662	20	-58	2,846	-414	2,431

(Note) 1. The amount of the adjustments for segment profits or losses shows the elimination of internal transactions and unrealized profit.

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

2. Information about impairment losses on noncurrent assets or goodwill by each business segment
Not applicable