

Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2021

July 27, 2020

Name of Listed Company: TOHO HOLDINGS CO., LTD. Listed: Tokyo Stock Exchange
 Securities Code Number: 8129 URL: <https://www.tohohd.co.jp/en/>
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Scheduled Submission Date for Quarterly Report: August 14, 2020 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, 2021 (from April 1, 2020 to June 30, 2020)

(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	%
First Quarter ended June 2020	298,676	-4.4	1,772	-48.2	3,512	-30.2	2,271	-33.4
First Quarter ended June 2019	312,522	3.7	3,420	66.7	5,034	40.0	3,413	48.9

(Note) Comprehensive income: First Quarter ended June 2020: 6,770 million yen (— %); First Quarter ended June 2019: -2,562 million yen (— %)

	Current Net Income per Share	Current Net Income per Share - Diluted
	Yen	Yen
First Quarter ended June 2020	32.21	29.61
First Quarter ended June 2019	50.08	43.80

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	Million yen	Million yen	%
First Quarter ended June 2020	677,322	237,208	35.0
FY ended March 2020	670,827	231,009	34.4

(Reference) Shareholder's equity: First Quarter ended June 2020: 237,044 million yen; FY ended March 2020: 230,842 million yen

2. Historical Payment of Dividends

	Annual Cash Dividend per Share				
	End of First Quarter	End of First Half	End of Third Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY Ended March 2020	—	20.00	—	20.00	40.00
FY Ending March 2021	—				
FY Ending March 2021 (Projected)		—	—	—	—

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

Breakdown of cash dividends for the FY ended March 2020: Commemorative dividend: 10yen; Ordinary dividend: 30yen

The amount of dividends for the fiscal year ending March 31, 2021 has not yet been determined since it is difficult to forecast financial results for the fiscal year at this point.

3. Consolidated Projected Results of Operations during Fiscal Year Ending March 2021 (from April 1, 2020 to March 31, 2021)

The consolidated projected operations results during fiscal year ending March 2021 is on hold, since it is difficult to forecast the impact of the spread of novel coronavirus infections (COVID-19) at this point.

The results will be disclosed promptly when a rational estimation becomes available.

※ Notes

- (1) Changes in material subsidiaries during the first quarter ended June 2020: N.A.
 (Changes in special subsidiaries accompanying with 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 accounting estimates, and correction and restatement
 (i) Changes in accounting policies accompanying with revisions in the accounting standards, etc.: N.A.
 (ii) Changes in accounting policies other than the above 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 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 first quarter

First Quarter ended June 2020	78,270,142	FY Ended March 2020	78,270,142
First Quarter ended June 2020	7,758,091	FY Ended March 2020	7,759,209
First Quarter ended June 2020	70,511,405	First Quarter ended June 2019	68,149,758

*Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2021 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 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 Explanation of Projections of Consolidated Operating Results 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 2020

(1) Explanation of Management Results

The prescription pharmaceuticals market during the first quarter of the fiscal year under review faced a severe environment. This was partly a result of limited clinic visits by patients who are alert to the risks of novel coronavirus infections, and partly as a result of the negative effects of voluntary restraints on marketing activities under the declaration of the state of emergency, in addition to the adverse effects brought about both NHI drug price revisions in April 2020 and from ongoing measures to curtail medical expenses such as promoting the use of generic drugs. Needless to say, various countermeasures against the novel coronavirus inevitably stagnated economic activities both home and abroad.

Under these circumstances, as a business group involved in medical care, health, and nursing care, the Group strived for activities that placed the utmost priority on providing a stable supply of pharmaceuticals and other medical products to maintain healthcare delivery systems, under the Group's social mission of "stably supplying pharmaceuticals and other medical products, even during times of emergency." Furthermore, the Company implemented measures to prevent the spread of infection and ensure the safety of employees, such as by providing all of the Group's employees, including part-time workers and temporary staff, with surgical masks to be necessary for the first half of this fiscal year.

With regard to the integrated logistics center "TBC DynaBASE" within the Keihin Truck Terminal in Ota-ku, Tokyo, construction has been ongoing, with the targeted start of operations in the fall of 2020. When disaster hits, the center will serve as a wide-area disaster prevention base.

TOHO PHARMACEUTICAL CO., LTD., one of our consolidated subsidiaries, received an onsite inspection by the Japan Fair Trade Commission for suspected violation of the Antimonopoly Act regarding its bid to supply ethical pharmaceuticals to Japan Community Health care Organization (JCHO) on November 27, 2019. We have been taking this issue seriously and are striving to provide re-assurance on compliance. As part of such efforts, on July 3, 2020, the Company announced initiatives to specifically strengthen compliance.

The Company's consolidated operating results for the first quarter of the fiscal year ending March 31, 2021 recorded 298,676 million yen for net sales (a decrease of 4.4% on a year-on-year basis), 1,772 million yen for operating income (a decrease of 48.2% on a year-on-year basis), 3,512 million yen for ordinary income (a decrease of 30.2% on a year-on-year basis) and 2,271 million yen for profit attributable to owners of parent (a decrease of 33.4% on a year-on-year basis).

The outline of business segment operating results are as follows. For your reference, KYOSOMIRAI PHARMA CO., LTD. has become a consolidated subsidiary from this fiscal year onward. Accordingly, the pharmaceutical manufacturing and sales business has been added as a new segment.

In the pharmaceutical wholesaling business, we made voluntary restraints on our marketing activities under the declaration of the state of emergency and engaged in activities that gave the utmost priority to a stable supply of pharmaceuticals. We also promoted non-contact delivery business models to reduce workloads, as well as exposure to the risk of infection to both our customers and the Company. For example, we strived for the optimization of delivery frequency by utilizing the centralized administration system for pharmacy operations "Mizar," and promoted "no-inspection" in which products are not to be inspected at the time of delivery. Furthermore, we made efforts to reduce costs through various measures, including the promotion of our customer support systems such as Initial Examination Reservation Service and Future ENIF, the change in work style, and the review of business processes. However, due to the adverse effects of limited clinic visits by patients who are alert to the risks of novel coronavirus infections, in addition to the negative effects of voluntary restraints on marketing activities under the declaration of the state of emergency, the pharmaceutical wholesaling business posted net sales of 287,635 million yen (a decrease of 4.4% on a year-on-year basis) and segment income (operating income) of 2,155 million yen (a decrease of 35.2% on a year-on-year basis) for the first quarter of the fiscal year under review.

In the dispensing pharmacy business, while responding to the dispensing fee revision, we strived to improve profitability by increasing management efficiency through the standardization of store operations with the adoption of our customer support systems. And yet, due to the decreased demand for prescription pharmaceuticals as a result of limited clinic visits by patients, the dispensing pharmacy business posted net sales of 22,512 million yen (a decrease of 5.1% on a year-on-year basis) and segment income (operating income) of 118 million yen (a decrease of 82.2% on a year-on-year basis).

In the pharmaceutical manufacturing and sales business, we endeavored to supply stable, high-quality, and high-value-added generic drugs, as well as to expand the product line-up including the launch of 7 ingredients and 22 products of generic drugs in the NHI drug price supplemental listing in June 2020. As of the end of June 2020, we dealt with 81 ingredients in 192 generic products. As a result, the pharmaceutical manufacturing and sales business posted net sales of 2,248 million yen and segment income of 341 million yen.

In the SMO operations, net sales amounted to 37 million yen (a decrease of 28.0% on a year-on-year basis) and segment loss (operating loss) was 103 million yen. In the information equipment sales operations, net sales totaled 206 million yen (a decrease of 9.2% on a year-on-year basis), with segment loss (operating loss) of 59 million yen. (Note) Segment sales include inter-segment transactions.

(2) Explanation of Financial Position

(Assets)

Current assets decreased 0.5% from the end of the previous consolidated fiscal year to 475,498 million yen with an increase in cash and deposits of 5,381 million yen, a decrease in notes and accounts receivable-trade of 5,528 million yen, and a decrease in inventories of 1,680 million yen.

Noncurrent assets increased 4.6% from the end of the previous consolidated fiscal year to 201,824 million yen with an increase in property, plant and equipment of 2,332 million yen, and an increase in investment securities of 5,467 million yen.

As a result, consolidated net assets increased 1.0% from the end of the previous consolidated fiscal year to 677,322 million yen.

(Liabilities)

Current liabilities decreased 0.3% from the end of the previous consolidated fiscal year to 376,933 million yen with an increase in short-term borrowings of 2,025 million yen, and a decrease in notes and accounts payable-trade of 2,528 million yen.

Noncurrent liabilities increased 2.2% from the end of the previous consolidated fiscal year to 63,181 million yen with an increase in deferred tax liabilities of 1,939 million yen.

As a result, total liabilities increased 0.1% from the end of the previous consolidated fiscal year, to 440,114 million yen.

(Net assets)

Total net assets increased 2.7% from the end of the previous consolidated fiscal year to 237,208 million yen with an increase in retained earnings of 1,592 million yen, and an increase in valuation difference on available-for-sale securities of 4,498 million yen.

(3) Explanation of Projections of Consolidated Operating Results

The Consolidated Projected Operations Results during Fiscal Year Ending March 2021 is on hold, since it is difficult to forecast the impact of the spread of novel coronavirus infections (COVID-19) at this point.

The results will be disclosed promptly when a rational estimation becomes available.

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

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2020)	End of this consolidated first quarter (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	84,219	89,601
Notes and accounts receivable-trade	285,548	280,020
Securities	10	10
Merchandise and finished goods	75,679	73,999
Raw materials and supplies	-	165
Other	32,838	32,127
Allowance for doubtful accounts	-337	-425
Total current assets	477,958	475,498
Non-current assets		
Property, plant and equipment	96,399	98,732
Intangible assets		
Goodwill	760	655
Other	3,843	4,780
Total intangible assets	4,604	5,436
Investments and other assets		
Investment securities	80,351	85,819
Other	13,930	14,230
Allowance for doubtful accounts	-2,416	-2,394
Total investments and other assets	91,865	97,655
Total non-current assets	192,869	201,824
Total assets	670,827	677,322

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2020)	End of this consolidated first quarter (As of June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	355,140	352,611
Short-term borrowings	2,666	4,692
Income taxes payable	5,267	1,462
Provision for bonuses	3,392	4,804
Provision for directors' bonuses	82	20
Provision for sales returns	287	261
Asset retirement obligations	20	20
Other	11,144	13,059
Total current liabilities	378,000	376,933
Non-current liabilities		
Bonds payable	20,063	20,058
Long-term borrowings	19,223	18,594
Net defined benefit liability	2,042	2,229
Asset retirement obligations	1,142	1,153
Other	19,345	21,145
Total non-current liabilities	61,817	63,181
Total liabilities	439,818	440,114
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	49,271	49,378
Retained earnings	165,745	167,338
Treasury stock	-15,785	-15,783
Total shareholders' equity	209,881	211,584
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,469	29,968
Revaluation reserve for land	-4,507	-4,507
Total accumulated other comprehensive income	20,961	25,460
Subscription rights to shares	166	163
Total net assets	231,009	237,208
Total liabilities and net assets	670,827	677,322

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

(Unit: million yen)

	Previous consolidated first quarter (From April 1, 2019 to June 30, 2019)	This consolidated first quarter (From April 1, 2020 to June 30, 2020)
Net sales	312,522	298,676
Cost of sales	284,841	273,387
Gross profit	27,681	25,288
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	10,506	10,140
Provision for bonuses	1,783	1,357
Provision for directors' bonuses	17	20
Retirement benefits expenses	64	59
Welfare expenses	2,033	1,901
Vehicle expenses	268	214
Provision of allowance for doubtful accounts	-11	66
Depreciation	1,345	1,211
Amortization of goodwill	164	105
Rent expenses	1,769	2,066
Taxes and dues	575	551
Expense before deduction of temporary consumption tax payment	1,328	1,631
Other	4,414	4,189
Total selling, general and administrative expenses	24,261	23,515
Operating income	3,420	1,772
Non-operating income		
Interest income	16	14
Dividend income	521	529
Commission fee	806	810
Amortization of negative goodwill	2	—
Equity in earnings of affiliates	0	5
Other	355	533
Total non-operating income	1,702	1,894
Non-operating expenses		
Interest expenses	7	19
Expenses of real estate rent	63	61
Other	17	73
Total non-operating expenses	88	153
Ordinary income	5,034	3,512

(Unit: million yen)

	Previous consolidated first quarter (From April 1, 2019 to June 30, 2019)	This consolidated first quarter (From April 1, 2020 to June 30, 2020)
Extraordinary income		
Gain on sales of non-current assets	11	1
Gain on transfer of business	13	—
Other	1	0
Total extraordinary income	26	1
Extraordinary losses		
Loss on disposal of non-current assets	31	6
Impairment loss	22	7
Loss on sales of investment securities	—	8
Loss on valuation investment securities	—	12
Other	—	1
Total extraordinary losses	54	35
Income before income taxes	5,007	3,478
Income taxes-current	2,181	1,755
Income taxes-deferred	-587	-548
Total income taxes	1,594	1,206
Current net income	3,413	2,271
Profit attributable to owners of parent	3,413	2,271

Quarterly Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Previous consolidated first quarter (From April 1, 2019 to June 30, 2019)	This consolidated first quarter (From April 1, 2020 to June 30, 2020)
Current net income	3,413	2,271
Other comprehensive income		
Valuation difference on available-for-sale securities	-5,966	4,478
Share of other comprehensive income of associates accounted for using equity method	-9	19
Total other comprehensive income	-5,975	4,498
Comprehensive income	-2,562	6,770
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	-2,562	6,770
Comprehensive income attributable to non- controlling interests	—	—

(3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes Concerning Premise of a Going Business)

Not applicable.

(Notes Concerning Material Changes in Shareholders' Equity)

This consolidated first quarter (from April 1, 2020 to June 30, 2020)

Not applicable.

(Segmental Information)

I Previous consolidated first quarter (from April 1, 2019 to June 30, 2019)

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

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note 2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO (million yen)	Information Equipment Sales (million yen)	Total (million yen)		
Net Sales							
(1) Sales to external customers	288,655	23,641	51	174	312,522	-	312,522
(2) Inter-segment sales	12,240	70	-	53	12,364	-12,364	-
Total	300,896	23,711	51	227	324,887	-12,364	312,522
Segment profit or loss	3,324	663	-1	-61	3,924	-504	3,420

(Note) 1. The amount of the adjustments for segment profit or loss shows the elimination of internal transactions and unrealized profit and corporate expenses not attributable to any reportable segment.

2. The amounts for income or loss 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 This consolidated first quarter (from April 1, 2020 to June 30, 2020)

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

	Reportable segments						Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note 2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	Pharmaceutical Manufacturing and Sales (million yen)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales								
(1) Sales to external customers	275,309	22,511	656	37	161	298,676	-	298,676
(2) Inter-segment sales	12,326	0	1,591	-	44	13,963	-13,963	-
Total	287,635	22,512	2,248	37	206	312,639	-13,963	298,676
Segment profit or loss	2,155	118	341	-103	-59	2,451	-679	1,772

(Note) 1. The amount of the adjustments for segment profit or loss shows the elimination of internal transactions and unrealized profit and corporate expenses not attributable to any reportable segment.

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

2. Information about impairment losses on noncurrent assets or goodwill by each business segment

Not applicable.

3. Matters concerning changes of reportable segments

The “pharmaceutical manufacturing and sales business” has been added to reportable segments because KYOSO MIRAI PHARMA CO., LTD. has been included in the scope of consolidation from the first quarter of the current consolidated fiscal year.