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To whom it may concern:

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Results of Operations during the Third Quarter of Fiscal Year Ending March 31, 2017

TOHO HOLDINGS CO., LTD. (hereinafter “TOHO HOLDINGS”) announces that it has released consolidated financial results for the third quarter of the fiscal year ending March 2017 today.

During the third quarter under review, while measures to curtail medical expenses were being promoted as seen in the 7.8% reduction in the NHI drug prices including exceptions to repricing measures for market expansion in April 2016, and as seen in the revision of the medical service fee system for promoting further use of generic drugs, TOHO HOLDINGS, as a corporate group engaged in areas for medical care, healthcare, and nursing care, promoted shifting to a business model that focuses on value-added services by continuing to provide customer support systems and services and to contribute to the establishment of a community comprehensive healthcare system.

KYOSOMIRAI PHARMA CO., LTD. (hereinafter “KYOSOMIRAI PHARMA”), which was established on November 1, 2016, got off to a good start by releasing two ingredients/three products listed on the NHI drug prices as supplement in December. KYOSOMIRAI PHARMA aims to establish a business scheme of integrated manufacture and sales which accurately responds to customers’ demands and to stably and effectively provide prescription pharmaceuticals centered on high quality and high value added generic drugs.

Net sales for the pharmaceutical wholesaling business during the cumulative third quarter of the current fiscal year decreased by 3.2% from the same period of the previous year and progress rate compared to the forecasts for the fiscal year ending March 2017 is 76.2%, due to impacts caused by NHI drug price revisions, an expansion of generic drugs, and a shrink of the market for the curative drugs for hepatitis C which had grown rapidly since the second quarter of the previous fiscal year, despite sales of achievement of new drugs such as cancer drugs. Operating income decreased by 12.9% on a year-on-year basis and progress rate compared to the forecasts for the current fiscal year is 86.5% as a result of the expanding numbers of contracts for our own customer support systems and the continuous suppression of expenses though gross profit decreased year on year due to decline in sales.

For the dispensing pharmacy business, net sales decreased by 2.4% year on year and progress rate compared to the forecasts for the current fiscal year is 74.7%, which results from the effects of NHI drug price revisions and dispensary fee revisions in April 2016. Due to delayed productivity improvement, selling, general and administrative expenses exceeded the previous year results so that operating income decreased by 57.9% on a year-on-year basis and progress rate compared to the forecasts for the current fiscal year is 61.7%.

As a result, the operating results for the consolidated cumulative third quarter of the current fiscal year are as follows. There has been no change in our revised full-year forecast for fiscal year ending March 2017 performance announced on November 9, 2016.

Unit: million yen (Amounts are truncated to the nearest million yen.)

Consolidated	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent
Nine Months, Ended December 2016	939,238	11,298	15,740	10,140
Nine Months, Ended December 2015	970,279	14,336	18,798	10,330
YoY Change	Δ31,041	Δ3,037	Δ3,057	Δ190
YoY Change Ratio (%)	Δ3.2	Δ21.2	Δ16.3	Δ1.8
Forecasts for the FY Ending March 2017	1,235,000	13,500	18,900	12,400
Progress (%)	76.1	83.7	83.3	81.8

