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February 8, 2024

Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)

Company name: TOHO HOLDINGS CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 8129
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 Scheduled date to file quarterly securities report: February 14, 2024
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2023	1,119,549	5.6	11,581	3.7	13,618	1.4	13,470	41.3
December 31, 2022	1,060,433	—	11,172	—	13,428	35.8	9,534	38.0

Note: Comprehensive income For the nine months ended December 31, 2023: ¥ 12,383 million [38.9%]
 For the nine months ended December 31, 2022: ¥ 8,917 million [217.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2023	207.25	186.20
December 31, 2022	136.09	125.10

Note: Owing to the change in presentation method from the first quarter of the fiscal year ending March 31, 2024, net sales and operating profit for the nine months ended of the fiscal year ended March 31, 2023 are shown after the retrospective reclassification, and percentage changes are not shown. Net sales and operating profit for the nine months ended of the fiscal year ended March 31, 2023 before the reclassification were 1,057,814 million yen and 8,552 million yen, respectively.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2023	804,873	243,703	30.2
March 31, 2023	715,288	242,916	33.9

Reference: Equity As of December 31, 2023: ¥243,457 million
 As of March 31, 2023: ¥242,678 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	16.00	—	16.00	32.00
Fiscal year ending March 31, 2024	—	18.00	—		
Fiscal year ending March 31, 2024 (Forecast)				22.00	40.00

Note: Revision to the forecast of cash dividends most recently announced: Applicable
 Breakdown of cash dividends for the first half of FY ending March 2024: Commemorative dividend: 2.00yen; Ordinary dividend: 16.00yen

3. Consolidated projected results of operations during fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	1,458,000	4.7	12,600	-23.0	15,500	-19.2	14,500	6.4	224.75

Note: 1. Revision of consolidated projected results of operations most recently announced: Applicable

2. Owing to the change in presentation method from the first quarter of the fiscal year under review, the percentage change in net sales and operating profit are calculated using the reclassified figures for the same period of the previous fiscal year, which reflect the change.

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: —

Excluded: —

- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

- (3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	78,270,142 shares
As of March 31, 2023	78,270,142 shares

- (ii) Number of treasury shares at the end of the period

As of December 31, 2023	14,686,537 shares
As of March 31, 2023	11,302,582 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2023	64,993,543 shares
Nine months ended December 31, 2022	70,059,745 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

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 for Fiscal Year ending March 31, 2024 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 Nine Months Ended December 31, 2023

(1) Explanation of Management Results

For the nine months ended December 31, 2023, the Group posted positive growth in the prescription pharmaceuticals market. Net sales of products related to COVID-19, which raged during the same period a year earlier, fell sharply, but those of new drugs such as cancer drugs and specialty pharmaceuticals continued to grow. In addition, net sales of therapeutic agents for influenza increased owing to the spread of the disease. With regard to the supply of prescription pharmaceuticals, shipment adjustments remained in place for antipyretic analgesics, mainly generic drugs, as well as for antitussives, expectorants, and the like.

Under these circumstances, the Group developed the Medium-term Management Plan 2023-2025 “Create the Next Generation,” for a period of three years from 2023. It set out four basic policies: (1) Business transformation, (2) Investment for growth and improvement of profitability, (3) Sustainability management, and (4) Improvement of capital efficiency and enhancement of shareholder returns. Based on these policies, we implemented specific measures to maintain sustainable growth and enhance corporate value through such means as active business alliances and digital transformation (DX).

In the area of business transformation, we implemented a joint promotional campaign involving both market specialists (MSs) in pharmaceuticals and those in reagents in order to promote the unification of the pharmaceutical- and reagent-related functions, a major objective of the transformation of pharmaceutical wholesaling business. As for office consolidation, we moved to develop an optimal structure that reflected local realities. Our actions during the period under review included the integration of the Tsuruga sales office into the Fukui sales office at Hokuriku Toho Co., Ltd. in October 2023. We also took positive steps in rethinking the current delivery frequency – an action aimed at helping to both increase operational efficiency and reduce CO₂ emissions – while gaining the understanding of our customers.

With MICIN, Inc., which entered into a capital and business alliance in September 2023, we launched a project team made up of six working groups to identify the areas of collaboration between the two companies. For sustainability, aiming to achieve our targets of reducing CO₂ emissions, we took steps at our offices and distribution centers to introduce EVs and switch to an electricity pricing scheme that promotes the use of electricity derived from renewable energy.

Moreover, we decided to establish two advisory bodies to the Board of directors. One is the Investment Committee, which is tasked with examining investment proposals in terms of such criteria as financial relevance, profitability, growth potential, and risks from the perspectives of finances and business strategies. The other is the Management Strategy Committee, which is responsible for discussing important management and business strategies of the Group.

In December 2023, we transferred our headquarters functions, which had been separated between Daizawa, Setagaya-ku, and Marunouchi, Chiyoda-ku, to Tokyo Midtown Yaesu for consolidation purposes. The aims included better management efficiency, prompter decision-making, a more lively workplace through better communication, higher quality communication with business partners, and lower fixed expenses, including rents.

The Company’s consolidated operating results for the nine months ended December 31, 2023 recorded 1,119,549 million yen for net sales (an increase of 5.6% on a year-on-year basis), 11,581 million yen for operating profit (an increase of 3.7% on a year-on-year basis), 13,618 million yen for ordinary profit (an increase of 1.4% on a year-on-year basis), and 13,470 million yen for profit attributable to owners of parent (an increase of 41.3% on a year-on-year basis).

We have decided to include revenues from information service fees, etc., which were previously recorded as nonoperating income in net sales, beginning with the first quarter of the fiscal year under review. In order to reflect this change in the presentation method, revenues from information service fees, etc. for the previous fiscal year have been reclassified to net sales.

The outline of business segment operating results are as follows.

In Pharmaceutical Wholesaling, net sales of COVID-19-related products such as therapeutic agents and diagnostic reagents dropped significantly from the same period a year earlier as the COVID-19 pandemic waned. Meanwhile, those of cancer therapeutic agents and influenza-related products increased. In addition, net sales of specialty pharmaceuticals and other limited-handling products for selected wholesalers continued to show a steady growth. Changes to distribution arrangements at some pharmaceutical manufacturers also help to increase net sales. In price negotiations with medical institutions, we continued our efforts to negotiate unit prices for individual products in order to better reflect their individual value and distribution costs. Our actions for customer support systems included introducing ENIFvoiceSP, promoting a switch from ENIF to FutureENIF, and ramping up the proposal activity of Byoin-Navi’s website-creating service.

As a result, the pharmaceutical wholesaling business posted net sales of 1,081,258 million yen (an increase of 5.7% on a year-on-year basis) and segment profit (operating profit) of 11,758 million yen (an increase of 25.1% on a year-on-year basis) for the nine months ended December 31, 2023 under review.

In Dispensing Pharmacy, we began to offer the portal application Kyoso Mirai Pharmacy Health Navi, which features the prescription-sending function and an electronic medicine notebook, to expedite the digitalization process. In addition, Pharma Mirai Inc. installed Maidoumo Post – a set of delivery boxes, which WILLPORT Co.,

Ltd. has developed and now operates – within selected pharmacies on an experimental basis. This service allows patients who failed to receive their ordered drugs at home on the scheduled dates, to receive them at pharmacies whenever it is convenient for them. During the nine months ended December 31, 2023, the number of prescriptions increased owing to a rebound from patients' reluctance to seek care. Also, the transitional measure for the community support system incentives was terminated, reducing technical fees. As a result, net sales of the dispensing pharmacy business were 70,364 million yen (an increase of 2.2% year on year) and segment profit (operating profit) was 1,446 million yen (a decrease of 16.8% year on year).

In the pharmaceutical manufacturing and sales business, the Group has been engaged in the stable supply of high-quality and high value-added pharmaceuticals by strictly monitoring the quality of products based on its own verification system and establishing a planned production system. The number of large hospitals with 200 or more beds that adopted generic drugs sold by KYOSOMIRAI PHARMA exceeded 1,000. As a result, the pharmaceutical manufacturing and sales business posted net sales of 7,984 million yen (an increase of 7.3% on a year-on-year basis.) and segment profit (operating profit) of 686 million yen (a decrease of 4.1% on a year-on-year basis.).

In the other peripheral businesses, net sales amounted to 4,440 million yen (a decrease of 10.1% on a year-on-year basis.) and segment profit (operating profit) was 258 million yen (a decrease of 42.3% on a year-on-year basis.).

(Note) Segment sales include inter-segment transactions.

(2) Explanation of Financial Position

(Assets)

Current assets increased 17.7% from the end of the previous consolidated fiscal year to 627,887 million yen with an increase in cash and deposits of 42,677 million yen, an increase in notes and accounts receivable-trade of 42,205 million yen, and an increase in merchandise and finished goods of 3,233 million yen in other.

Non-current assets decreased 2.6% from the end of the previous consolidated fiscal year to 176,986 million yen with a decrease in property, plant and equipment of 1,659 million yen in other.

As a result, consolidated net assets increased 12.5% from the end of the previous consolidated fiscal year, to 804,873 million yen.

(Liabilities)

Current liabilities increased 15.5% from the end of the previous consolidated fiscal year to 508,471 million yen with an increase in notes and accounts payable-trade of 88,758 million yen, and a decrease in current portion of bonds payable of 20,003 million yen in other.

Non-current liabilities increased 63.7% from the end of the previous consolidated fiscal year to 52,697 million yen with an increase in bonds payable of 22,098 million yen in other.

As a result, total liabilities increased 18.8% from the end of the previous consolidated fiscal year, to 561,169 million yen.

(Net assets)

Total net assets increased 0.3% from the end of the previous consolidated fiscal year to 243,703 million yen with an increase in retained earnings of 11,259 million yen, and an increase in treasury shares of 9,384 million yen in other.

(3) Explanation of Projections of Consolidated Operating Results for Fiscal Year ending March 31, 2024

The Company has revised its consolidated full-year earnings forecast for the fiscal year ending March 2024 (April 1, 2023 - March 31, 2024) and year-end dividend forecasts announced on May 12, 2023, taking into consideration the recent trends in performances. As for the details, please refer to the “Notice Regarding the Revision of the Full-year Earnings Forecasts and Dividend Forecasts for the Fiscal Year Ending March 2024” announced today (February 8, 2024).

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

(Unit: million yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	86,201	128,878
Notes and accounts receivable-trade	316,696	358,902
Merchandise and finished goods	91,217	94,450
Raw materials and supplies	206	141
Other	39,573	45,904
Allowance for doubtful accounts	-376	-390
Total current assets	533,519	627,887
Non-current assets		
Property, plant and equipment	90,270	88,610
Intangible assets		
Goodwill	514	354
Other	4,863	5,179
Total intangible assets	5,377	5,534
Investments and other assets		
Other	88,067	84,617
Allowance for doubtful accounts	-1,947	-1,776
Total investments and other assets	86,120	82,840
Total non-current assets	181,768	176,986
Total assets	715,288	804,873

(Unit: million yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable-trade	385,140	473,899
Short-term borrowings	9,800	8,059
Current portion of bonds payable	20,003	—
Income taxes payable	5,152	3,019
Provision for bonuses	3,214	1,651
Provision for bonuses for directors	42	32
Asset retirement obligations	40	224
Other	16,794	21,585
Total current liabilities	440,188	508,471
Non-current liabilities		
Bonds payable	—	22,098
Long-term borrowings	6,472	6,184
Retirement benefit liability	2,508	2,539
Asset retirement obligations	2,747	3,000
Provision for loss on Antimonopoly Act	4,849	4,849
Other	15,605	14,026
Total non-current liabilities	32,183	52,697
Total liabilities	472,372	561,169
Net assets		
Shareholders' equity		
Share capital	10,649	10,649
Capital surplus	49,146	49,154
Retained earnings	191,531	202,790
Treasury shares	-23,107	-32,491
Total shareholders' equity	228,219	230,102
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,734	17,637
Revaluation reserve for land	-4,276	-4,283
Total accumulated other comprehensive income	14,458	13,354
Share acquisition rights	146	144
Non-controlling interests	92	102
Total net assets	242,916	243,703
Total liabilities and net assets	715,288	804,873

(2) Quarterly Consolidated Profit and Loss Statement and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Profit and Loss Statement
[Nine months ended December 31, 2023]

(Unit: million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	1,060,433	1,119,549
Cost of sales	975,697	1,033,049
Gross profit	84,736	86,500
Selling, general and administrative expenses		
Remuneration, salaries and allowances for directors	33,390	33,500
Provision for bonuses	1,546	1,608
Provision for bonuses for directors	31	32
Retirement benefit expenses	210	213
Welfare expenses	5,849	5,832
Vehicle expenses	824	784
Provision of allowance for doubtful accounts	325	-156
Depreciation	4,150	4,414
Amortization of goodwill	222	202
Rent expenses	5,986	6,304
Taxes and dues	1,565	1,630
Non-deductible temporary paid consumption tax expense	4,810	5,013
Other	14,648	15,537
Total selling, general and administrative expenses	73,564	74,918
Operating profit	11,172	11,581
Non-operating income		
Interest income	41	40
Dividend income	1,048	945
Share of profit of entities accounted for using equity method	132	313
Rental income from real estate	624	633
Other	766	518
Total non-operating income	2,615	2,452
Non-operating expenses		
Interest expenses	54	46
Real estate lease expenses	160	135
Other	144	234
Total non-operating expenses	358	415
Ordinary profit	13,428	13,618

(Unit: million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Extraordinary income		
Gain on sale of non-current assets	115	22
Gain on sale of investment securities	2,784	6,686
Other	19	215
Total extraordinary income	2,920	6,924
Extraordinary losses		
Loss on disposal of non-current assets	113	139
Impairment losses	26	-
Loss on valuation of shares of subsidiaries and associates	-	122
Provision for loss on Antimonopoly Act	1,400	-
Other	359	8
Total extraordinary losses	1,900	269
Profit before income taxes	14,448	20,273
Income taxes-current	4,737	6,632
Income taxes-deferred	159	160
Total income taxes	4,897	6,792
Net profit	9,551	13,480
Profit attributable to non-controlling interests	17	10
Profit attributable to owners of parent	9,534	13,470

Quarterly Consolidated Statements of Comprehensive Income
 [Nine months ended December 31, 2023]

(Unit: million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net profit	9,551	13,480
Other comprehensive income		
Valuation difference on available-for-sale securities	-692	-1,077
Share of other comprehensive income of entities accounted for using equity method	58	-19
Total other comprehensive income	-634	-1,097
Comprehensive income	8,917	12,383
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	8,899	12,373
Comprehensive income attributable to non-controlling interests	17	10

(3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes Concerning Premise of a Going Business)

Not applicable.

(Notes Concerning Material Changes in Shareholders' Equity)

Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

Not applicable.

(Change in the Presentation of Consolidated Financial Statements)

Traditionally, revenues from information service fees earned from pharmaceutical manufacturers, etc. were recorded as "commission income" under "non-operating income," and membership revenues earned from medical institutions, etc. were recorded as "other" under "non-operating income." However, effective from the first quarter of the fiscal year under review, such income is now included in "net sales."

The Group established the Medium-term Management Plan 2023-2025 "Create the Next Generation", with the fiscal year ending March 31, 2024 as the beginning and the fiscal year ending March 31, 2026 as the final year, and has been promoting measures to achieve continuous growth and improve profitability over the medium to long term since April 2023. In the transformation of pharmaceutical wholesaling business, one of the concrete measures, TOHO PHARMACEUTICAL, a consolidated subsidiary, has made organizational changes to strengthen planning, promotion, and management of strategies to accelerate income, including revenues from information service fees.

In this way, we have positioned information services, which are expected to become even more important going forward owing to changes in the information business environment, as one of our main sales activities. This has prompted us to change the method of presentation as described above to better present the results of the Group's sales activities.

In order to reflect this change in presentation method, the consolidated financial statements for the third quarter of the previous year have been reclassified. As a result, net sales and operating profit for the third quarter of the previous fiscal year increased by 2,619 million yen compared with those before the reclassification, with net sales and operating profit amounting to 1,060,433 million yen and 11,172 million yen, respectively. There is no impact on ordinary profit or profit before income taxes. In addition, "accounts receivable - other" of 473 million yen, which were presented in "other" under current assets in the consolidated balance sheet for the previous fiscal year, have been reclassified to "notes and accounts receivable - trade." As a result, notes and accounts receivable-trade amounted to 316,696 million yen and "other" under current assets amounted to 39,573 million yen.

(Segmental Information)

As described in Change in the Presentation of Consolidated Financial Statements, revenues from information service fees, etc. have been reclassified to net sales from the first quarter of the fiscal year ending March 31, 2024. In order to reflect this change in presentation method, the Segmental Information for the third quarter of the previous year have been reclassified.

As a result, net sales and segment profit in the pharmaceutical wholesaling business for the third quarter of the previous fiscal year increased by 2,619 million yen compared with those before the reclassification.

I Nine months ended December 31, 2022

1. Information about sales and profit 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)	Pharmaceutical Manufacturing and Sales (million yen)	Other Peripheral Businesses (million yen)	Total (million yen)		
Net Sales							
(1) Sales to external customers	986,203	68,839	1,613	3,777	1,060,433	—	1,060,433
(2) Inter-segment sales	36,401	4	5,829	1,161	43,396	-43,396	—
Total	1,022,605	68,843	7,442	4,939	1,103,830	-43,396	1,060,433
Segment profit	9,398	1,738	715	449	12,301	-1,128	11,172

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

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

2. Information about impairment losses on non-current assets or goodwill by each business segment

Not applicable.

II Nine months ended December 31, 2023

1. Information about sales and profit 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)	Pharmaceutical Manufacturing and Sales (million yen)	Other Peripheral Businesses (million yen)	Total (million yen)		
Net Sales							
(1) Sales to external customers	1,043,989	70,355	1,800	3,405	1,119,549	—	1,119,549
(2) Inter-segment sales	37,269	9	6,184	1,035	44,498	-44,498	—
Total	1,081,258	70,364	7,984	4,440	1,164,048	-44,498	1,119,549
Segment profit	11,758	1,446	686	258	14,150	-2,568	11,581

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

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

2. Information about impairment losses on non-current assets or goodwill by each business segment

Not applicable.