

# Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2022

August 6, 2021

Name of Listed Company: TOHO HOLDINGS CO., LTD. Listed: Tokyo Stock Exchange  
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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, 2022

(from April 1, 2020 to June 30, 2021)

### (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 2021	308,828	3.4	635	-64.2	2,258	-35.7	1,730	-23.8
First Quarter ended June 2020	298,676	-4.4	1,772	-48.2	3,512	-30.2	2,271	-33.4

(Note) Comprehensive income: First Quarter ended June 2021: 941 million yen (-86.1 %); First Quarter ended June 2020: 6,770 million yen (- %)

	Current Net Income per Share	Current Net Income per Share - Diluted
	Yen	Yen
First Quarter ended June 2021	24.55	22.55
First Quarter ended June 2020	32.21	29.61

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	Million yen	Million yen	%
First Quarter ended June 2021	697,455	237,427	34.0
FY ended March 2021	683,181	237,405	34.7

(Reference) Shareholder's equity: First Quarter ended June 2021: 237,103 million yen; FY ended March 2021: 237,243 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 2021	—	15.00	—	15.00	30.00
FY Ending March 2022	—				
FY Ending March 2022 2(Projected)		15.00	—	15.00	30.00

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

## 3. Consolidated Projected Results of Operations during Fiscal Year Ending March 2022 (from April 1, 2021 to March 31, 2022)

(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	596,000	0.0	1,700	32.8	4,500	6.5	3,100	70.3	43.96
Full Year	1,192,000	-1.5	6,400	48.7	11,900	15.6	7,400	48.3	104.92

(Note) Revision of projected consolidated results of operations most recently announced: Applicable

※ Notes

- (1) Changes in material subsidiaries during the first quarter ended June 2021: 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.: Applicable  
(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 2021	78,270,142	FY Ended March 2021	78,270,142
First Quarter ended June 2021	7,754,124	FY Ended March 2021	7,759,749
First Quarter ended June 2021	70,512,153	First Quarter ended June 2020	70,511,405

\*Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2022 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 2021

### (1) Explanation of Management Results

On June 30, 2021, our consolidated subsidiary, TOHO PHARMACEUTICAL CO., LTD., and our employee were sentenced by the Tokyo District Court to a fine of 250 million yen and to a suspended sentence for violating the Antimonopoly Act in connection with bidding on the supply of ethical pharmaceuticals to the Japan Community Health care Organization (JCHO). Except for a company which was away from accusation, we and other two companies will be significantly affected negatively by suspensions from designated bidder lists for national and public medical institutions including JCHO during the current and upcoming fiscal year. The suspensions of three wide-area wholesale companies' bidding participation may cause difficulties to stably supply pharmaceuticals.

The prescription pharmaceuticals market during the first quarter of the fiscal year under review experienced the NHI drug price revisions implemented for the first time in the interim period in April 2021. The market remains uncertain although the tendency of limited clinic visits by patients who are alert to the risks of COVID-19 is on a recovery trend, for the situation has yet to improve as the number of infected patients has increased due to the influence of variant strains, etc., and the declarations of a state of emergency have been re-issued.

The Group strives to develop and propose customer support systems such as Initial Examination Reservation Service and the centralized administration system for pharmacy operations "Mizar" in order to solve the problems and improve convenience for patients, medical institutions and specialists who are engaged in home medical and nursing care. Above all, we have actively promoted online medical examination/dosing guidance system "KAITOS" with the aim of popularizing online medical examination.

In response to requests from government authorities, we focused on the delivery of COVID-19 vaccines, needles, syringes, etc. Further, 5,000 employees and their families have been vaccinated in the workplace since June 21. We also implemented measures to prevent the spread of infection and ensure the safety of employees, such as by providing all of the Group's employees with surgical masks.

In addition, we reviewed the composition of directors and newly appointed female directors and corporate officers this June. We will continue to promote ESG management by making company-wide efforts to strengthen compliance.

To reduce cost through business efficiency and optimization of personnel numbers, we rebuild delivery system by increasing direct customer delivery from TBC DynaBASE launched in September 2020 as well as operate business with appropriate personnel numbers by consolidation of sales offices and efficient delivery structure.

As measures to improve profitability over the medium term, the Group invested in growth areas such as a business alliance with a group company of Morimoto-Pharma Co., Ltd., which possesses innovative freeze-drying technology, and the succession of the constant-temperature transportation device business from FUJIFILM Toyama Chemical Co., Ltd. by TOHO PHARMACEUTICAL CO., LTD., our wholly-owned subsidiary.

The Company's consolidated operating results for the first quarter of the fiscal year ending March 31, 2022 recorded 308,828 million yen for net sales (an increase of 3.4% on a year-on-year basis), 635 million yen for operating income (a decrease of 64.2% on a year-on-year basis), 2,258 million yen for ordinary income (a decrease of 35.7% on a year-on-year basis) and 1,730 million yen for profit attributable to owners of parent (a decrease of 23.8% on a year-on-year basis).

The outline of business segment operating results are as follows. From the first quarter of the current consolidated fiscal year, the method of classifying business segments has been revised and three companies, Nextit Research Institute, Inc., eKenkoshop Corporation and K.K.eHealthcare, have been included in the scope of consolidation. In addition to the existing "SMO operations" and "information equipment sales operations," the above three companies have been newly added to set up the "other peripheral businesses" with 4 reportable segments: "pharmaceutical wholesaling," "dispensing pharmacy," "pharmaceutical manufacturing and sales," and "other peripheral businesses."

In the pharmaceutical wholesaling business, we have made efforts to propose customer support systems and services that contribute to reducing contact opportunities, such as remote detailing services, online medical examination/dosing guidance system "KAITOS," Initial Examination Reservation Service, and appointment reservation systems. We signed new contracts with four pharmaceutical companies on four pharmaceuticals concerning remote detailing services through collaboration with enTouch KK during the current fiscal year. Since we introduced remote detailing services in the previous consolidated fiscal year, the number of contracts has totaled six companies and seven pharmaceuticals. Further, we promoted delivery business models that contribute to the improvement of business efficiency for both customers and the Group, such as optimizing the number of deliveries by utilizing the centralized administration system for pharmacy operations "Mizar" and promoting "no inspection," whereby inspection is not required at the time of delivery. However, due to the effects brought about by the NHI drug price revisions in April 2021 and continuing difficult conditions for price negotiations with medical institutions, the pharmaceutical wholesaling business posted net sales of 297,624 million yen (an increase of 3.5% on a year-on-year basis) and segment income (operating income) of 554 million yen (a decrease of 74.3% on a year-on-year basis) for the first quarter of the fiscal year under review.

In the dispensing pharmacy business, we worked to improve profitability by responding to dispensing fee revisions, streamlining and standardizing operations through the use of customer support systems, and optimizing inventories through the use of the centralized administration system for pharmacy operations "Mizar." In addition,

we made efforts to enhance patient services, such as strengthening the system for online dosing guidance, promoting patient adherence through SNS, and expanding product sales. As a result, the dispensing pharmacy business posted net sales of 22,529 million yen (an increase of 0.1% on a year-on-year basis) and segment income (operating income) of 350 million yen (an increase of 196.0% on a year-on-year basis).

In the pharmaceutical manufacturing and sales business, the Group has been engaged in stable supply of high-quality and high-value-added pharmaceuticals by strictly monitoring product quality based on our own verification system. In addition to the “drug substance manufacturing country” for approved products, the “name of drug product manufacturer” has been publicized ahead of other companies since April 2021 to ensure appropriate disclosure of pharmaceutical information. Further, we expanded our product line-up including the launch of 3 ingredients and 6 products of generic drugs in the NHI drug price supplemental price listing in June 2021. As of the end of June 2021, we dealt with 85 ingredients in 202 generic products. As a result, the pharmaceutical manufacturing and sales business posted net sales of 1,948 million yen (a decrease of 13.3% on a year-on-year basis) and segment income of 195 million yen (a decrease of 42.6% on a year-on-year basis).

In the other peripheral businesses, net sales amounted to 1,272 million yen and segment loss was 0 million yen. (Note) Segment sales include inter-segment transactions.

## (2) Explanation of Financial Position

### (Assets)

Current assets increased 3.4% from the end of the previous consolidated fiscal year to 503,630 million yen with an increase in cash and deposits of 7,227 million yen, an increase in notes and accounts receivable-trade of 5,201 million yen, and new component of return assets of 5,122 million yen in other.

Noncurrent assets decreased 1.2% from the end of the previous consolidated fiscal year to 193,825 million yen with a decrease in investment securities of 3,143 million yen.

As a result, consolidated net assets increased 2.1% from the end of the previous consolidated fiscal year to 697,455 million yen.

### (Liabilities)

Current liabilities increased 4.1% from the end of the previous consolidated fiscal year to 392,318 million yen with an increase in notes and accounts payable-trade of 9,295 million yen, and new component of refund liability of 5,346 million yen in other.

Noncurrent liabilities decreased 2.0% from the end of the previous consolidated fiscal year to 67,709 million yen with a decrease in long-term borrowings of 666 million yen, and a decrease in deferred tax liabilities of 752 million yen.

As a result, total liabilities increased 3.2% from the end of the previous consolidated fiscal year, to 460,028 million yen.

### (Net assets)

Total net assets increased 0.0% from the end of the previous consolidated fiscal year to 237,427 million yen with an increase in retained earnings of 793 million yen, and a decrease in valuation difference on available-for-sale securities of 797 million yen.

### (3) Explanation of Projections of Consolidated Operating Results

For the fiscal year ending March 2022, the Company did not make a consolidated forecast because it was difficult to reasonably determine the impact of the spread of COVID-19. Also at this point in time, the situation remains unclear, with the declaration of a state of emergency issued in six prefectures and priority measures taken in five prefectures to prevent the spread of COVID-19; however, the Group publicizes a consolidated projected operations results based on information that is currently available.

#### ① Consolidated Projected Results of Operations during the first half of Fiscal Year Ending March 2022

(From April 1 2021 to September 30,2021)

	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, FY Ended March 2021(A)	595,997	1,279	4,225	1,820	25.82
First Half, FY Ending March 2022(B)	596,000	1,700	4,500	3,100	43.96
Increase/Decrease (B-A)	2	420	274	1,279	
Change(%)	0.0	32.8	6.5	70.3	

#### ② Consolidated Projected Results of Operations during Fiscal Year Ended March 2021

(From April 1, 2021 to March 31, 2022)

	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
FY Ended March 2021(A)	1,210,274	4,303	10,289	4,989	70.77
FY Ending March 2022 (B)	1,192,000	6,400	11,900	7,400	104.92
Increase/Decrease (B-A)	-18,274	2,096	1,610	2,410	
Change(%)	-1.5	48.7	15.6	48.3	

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

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2021)	End of this consolidated first quarter (As of June 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	93,086	100,314
Notes and accounts receivable-trade	285,579	290,780
Merchandise and finished goods	76,208	77,093
Raw materials and supplies	180	153
Other	32,321	35,769
Allowance for doubtful accounts	-464	-480
Total current assets	486,911	503,630
Non-current assets		
Property, plant and equipment	97,837	97,261
Intangible assets		
Goodwill	388	725
Other	4,722	4,854
Total intangible assets	5,110	5,580
Investments and other assets		
Investment securities	82,550	79,406
Other	12,671	13,441
Allowance for doubtful accounts	-1,899	-1,864
Total investments and other assets	93,321	90,983
Total non-current assets	196,269	193,825
Total assets	683,181	697,455

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2021)	End of this consolidated first quarter (As of June 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	356,968	366,264
Short-term borrowings	2,876	2,870
Income taxes payable	2,035	1,781
Provision for bonuses	3,136	4,790
Provision for directors' bonuses	82	13
Provision for sales returns	227	-
Asset retirement obligations	51	-
Other	11,339	16,598
Total current liabilities	376,717	392,318
Non-current liabilities		
Bonds payable	20,043	20,038
Long-term borrowings	19,007	18,341
Net defined benefit liability	2,294	2,367
Asset retirement obligations	2,711	2,726
Provision for loss on Antimonopoly Act	4,213	4,213
Other	20,788	20,023
Total non-current liabilities	69,058	67,709
Total liabilities	445,775	460,028
<b>Net assets</b>		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	49,378	49,232
Retained earnings	168,872	169,665
Treasury stock	-15,784	-15,772
Total shareholders' equity	213,117	213,774
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,506	27,709
Revaluation reserve for land	-4,380	-4,380
Total accumulated other comprehensive income	24,125	23,328
Subscription rights to shares	162	152
Non-controlling interests	-	171
Total net assets	237,405	237,427
Total liabilities and net assets	683,181	697,455



(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, 2020 to June 30, 2020)	This consolidated first quarter (From April 1, 2021 to June 30, 2021)
Net sales	298,676	308,828
Cost of sales	273,387	284,054
Gross profit	25,288	24,769
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	10,140	10,074
Provision for bonuses	1,357	1,646
Provision for directors' bonuses	20	13
Retirement benefits expenses	59	61
Welfare expenses	1,901	1,934
Vehicle expenses	214	244
Provision of allowance for doubtful accounts	66	-19
Depreciation	1,211	1,503
Amortization of goodwill	105	82
Rent expenses	2,066	2,013
Taxes and dues	551	581
Expense before deduction of temporary consumption tax payment	1,631	1,617
Other	4,189	4,382
Total selling, general and administrative expenses	23,515	24,134
Operating income	1,772	635
Non-operating income		
Interest income	14	14
Dividend income	529	564
Commission fee	810	795
Equity in earnings of affiliates	5	-
Other	533	418
Total non-operating income	1,894	1,792
Non-operating expenses		
Interest expenses	19	18
Share of loss of entities accounted for using equity method	-	8
Expenses of real estate rent	61	47
Loss on investments in investment partnerships	1	68
Other	72	24
Total non-operating expenses	153	168
Ordinary income	3,512	2,258

(Unit: million yen)

	Previous consolidated first quarter (From April 1, 2020 to June 30, 2020)	This consolidated first quarter (From April 1, 2021 to June 30, 2021)
Extraordinary income		
Gain on sales of non-current assets	1	0
Gain on sale of investment securities	0	425
Other	-	0
Total extraordinary income	1	426
Extraordinary losses		
Loss on disposal of non-current assets	6	56
Impairment loss	7	6
Loss on sales of investment securities	8	-
Loss on valuation investment securities	12	231
Other	1	0
Total extraordinary losses	35	294
Income before income taxes	3,478	2,390
Income taxes-current	1,755	1,768
Income taxes-deferred	-548	-1,116
Total income taxes	1,206	651
Current net income	2,271	1,738
Profit attributable to non-controlling interests	-	7
Profit attributable to owners of parent	2,271	1,730

## Quarterly Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Previous consolidated first quarter (From April 1, 2020 to June 30, 2020)	This consolidated first quarter (From April 1, 2021 to June 30, 2021)
Current net income	2,271	1,738
Other comprehensive income		
Valuation difference on available-for-sale securities	4,478	-845
Share of other comprehensive income of associates accounted for using equity method	19	47
Total other comprehensive income	4,498	-797
Comprehensive income	6,770	941
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	6,770	933
Comprehensive income attributable to non- controlling interests	-	7

### (3) Notes Concerning Quarterly Consolidated Financial Statements

#### (Notes Concerning Premise of a Going Business)

Not applicable.

#### (Changes in Scope of Consolidation or Application of Equity Method)

Three companies, Nextit Research Institute, Inc., eKenkoshop Corporation and K.K.eHealthcare, have been included in the scope of consolidation from the first quarter of the fiscal year under review as their importance increased.

#### (Notes Concerning Material Changes in Shareholders' Equity)

This consolidated first quarter (from April 1, 2021 to June 30, 2021)

Not applicable.

#### (Changes in Accounting Policies)

Applying the Accounting Standards for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as "Revenue Recognition Accounting Standards") from the beginning of the first quarter of the consolidated fiscal year under review, when the control of the promised goods or services is transferred to the customer, revenue is recognized at the amount expected to be received in exchange for the goods or services. Previously, the Company had recorded provision for sales returns based on the amount equivalent to gross profit regarding sales with a right of return. The Company has since changed the recognition method for goods or services that are expected to be returned in accordance with the rule regarding variable consideration, so as not to recognize revenue at the time of sales but recognize refund liabilities at the amount it received or is expected to receive for the said goods or services. Regarding a part of transactions related to pharmaceutical wholesaling business, the Company previously had recognized the gross amount as revenue. However, the Company has shifted to the method by which it recognizes revenue at the net amount by determining a role in which the Company acts as a principal or an agent in providing goods or services to a customer.

As the Revenue Recognition Accounting Standards are applied in accordance with the transitional treatment provided by the provisory clause of Article 84 of the Accounting standards, in the case of retroactive application of the new accounting policy prior to the beginning of the first quarter under review, the cumulative effect is added to or deducted from retained earnings at the beginning of the first quarter under review, and the new accounting policy is applied from the adjusted balance at the beginning of the first quarter under review. However, the Company does not retroactively apply the new accounting policy to contracts for which the method prescribed in Article 86 of the Revenue Recognition Accounting Standards was applied and for which almost the entire revenue amount was recognized in accordance with prior treatment before the beginning of the first quarter under review. In addition, applying the method prescribed in additional words (1) of Article 86 of the Revenue Recognition Accounting Standards above, regarding contract changes made prior to the beginning of the first quarter under review, the Group performed accounting processing under contract terms that reflect all such contract changes, and adjusted retained earnings reflecting the cumulative effect of the reviewed processing at the beginning of the first quarter under review.

As a result, net sales for the first quarter under review decreased by 563 million yen, cost of sales decreased by 556 million yen, selling, general and administrative expenses decreased by 6 million yen, and operating income, ordinary income and profit before income taxes decreased by 6 million yen, respectively. The balance of retained earnings at the beginning of the fiscal year decreased by 125 million yen.

In accordance with the transitional treatment provided for in Article 89-2 of the Revenue Recognition Accounting Standards, the Company has not reclassified financial statements for the previous fiscal year by using the new presentation method.

The Group decided that, applying the "Accounting Standards for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as "Fair Value Measurement Accounting Standards") from the beginning of the first quarter under review, in accordance with the transitional treatment prescribed in Article 19 of the Fair Value Measurement Accounting Standards and in Article 44-2 of the "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy prescribed by the Market Value Accounting Standards will be applied from now on. There is no impact on the quarterly consolidated financial statements.

(Segmental Information)

I Previous 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)	Other Peripheral Businesses (million yen)	Total (million yen)		
Net Sales							
(1) Sales to external customers	275,309	22,511	656	198	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	243	312,639	-13,963	298,676
Segment profit	2,155	118	341	-163	2,451	-679	1,772

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

3. Matters concerning changes of reportable segments

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.

II This consolidated first quarter (from April 1, 2021 to June 30, 2021)

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)	Other Peripheral Businesses (million yen)	Total (million yen)		
Net Sales							
(1) Sales to external customers	284,929	22,528	403	966	308,828	-	308,828
(2) Inter-segment sales	12,694	0	1,544	305	14,545	-14,545	-
Total	297,624	22,529	1,948	1,272	323,374	-14,545	308,828
Segment profit	554	350	195	-0	1,101	-466	635

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

### 3. Matters concerning changes of reportable segments

The method of classifying business segments has been revised because of change in scope of consolidation from the first quarter of the current consolidated fiscal year. In addition to the existing “SMO operations” and “information equipment sales operations,” the three companies, Nextit Research Institute, Inc., eKenkoshop Corporation and K.K.eHealthcare, have been newly added to set up the “other peripheral businesses” with 4 reportable segments: “pharmaceutical wholesaling,” “dispensing pharmacy,” “pharmaceutical manufacturing and sales,” and “other peripheral businesses.”

The segment information for the first quarter of the previous consolidated fiscal year has been prepared based on the classification after the change.

As described in the changes in accounting policies, the Company has applied the Revenue Recognition Accounting Standards from the beginning of the first quarter of the fiscal year under review and changed the accounting method regarding revenue recognition, and it has changed the calculation method for profit or loss of business segments accordingly. As a result of these changes, net sales and segment profit of the “Pharmaceutical Wholesaling Business” in the first quarter of the fiscal year under review decreased by 563 million yen and 6 million yen, respectively, compared with before the reclassification.