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February 9, 2022

## Consolidated Financial Results for the Nine Months Ended December 31, 2021 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange  
 Securities code: 8129  
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 Scheduled date to file quarterly securities report: February 14, 2022  
 Scheduled date to commence dividend payments: —  
 Preparation of supplementary material on quarterly financial results: None  
 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, 2021

(from April 1, 2021 to December 31, 2021)

#### (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, 2021	950,219	3.6	5,549	68.3	9,887	31.6	6,910	74.0
December 31, 2020	917,175	-5.3	3,298	-75.1	7,512	-58.3	3,970	-66.5

Note: Comprehensive income For the nine months ended December 31, 2021: ¥ 2,806 million [-72.7%]  
 For the nine months ended December 31, 2020: ¥10,295 million [-37.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2021	97.98	90.07
December 31, 2020	56.32	51.71

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
December 31, 2021	731,459	238,378	32.5
March 31, 2021	683,181	237,405	34.7

Reference: Equity As of December 31, 2021: ¥238,039 million  
 As of March 31, 2021: ¥237,243 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, 2021	—	15.00	—	15.00	30.00
Fiscal year ending March 31, 2022	—	15.00	—		
Fiscal year ending March 31, 2022 (Forecast)				15.00	30.00

Note: Revision to the forecast of cash dividends most recently announced: None

### 3. Consolidated projected results of operations during fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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
	1,192,000	-1.5	6,400	48.7	11,900	15.6	7,400	48.3	104.92

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

#### \* 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: Yes

(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, 2021	78,270,142 shares
As of March 31, 2021	78,270,142 shares

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

As of December 31, 2021	7,729,096 shares
As of March 31, 2021	7,759,749 shares

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

Nine months ended December 31, 2021	70,525,653 shares
Nine months ended December 31, 2020	70,510,790 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, 2022 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, 2021

### (1) Explanation of Management Results

Economic activity recovered in the third quarter of the fiscal year under review due to increasing COVID-19 vaccinations, and the prescription pharmaceuticals market was impacted by the NHI drug price revisions in the interim period in April 2021. However, the trend of limited clinic visits by patients is improving, showing year-on-year growth. Meanwhile, the emergence of new variant strains has fueled concerns about the effects of re-rising infections on the medical care system. As such, the outlook remains uncertain.

The Group works on the following three priority measures: (1) development and proposal of customer support systems, including the Initial Examination Reservation Service and the centralized administration system for pharmacy operations “Mizar,” in order to solve the problems regarding patients, medical institutions and specialists who are engaged in home medical and nursing care, and increase convenience; (2) enhancement of logistics functions in order to fulfil the Group’s social mission of stably supplying pharmaceuticals and other medical products even in times of disaster; (3) stable supply of high-quality generic drugs ensured by our own verification system in the age of a generic drug share target of 80%.

We are also building a new revenue model by investing business resources in growth areas such as regenerative medical products, biomedical products, and gene therapy products. As part of these initiatives, we have invested in CellGenTech, Inc., which is developing cell products for gene therapy using adipocytes in collaboration with Chiba University, and Cellusion, Inc., a regenerative medicine startup from Keio University School of Medicine developing a new treatment for bullous keratopathy using corneal endothelium replacement cells derived from iPS cells. We will continue to invest in pharmaceutical and venture companies with advanced technologies to support their business development and social implementation, as well as offer our full cooperation in distribution matters such as raw material transport, clinical trial logistics, and wholesale logistics.

Regarding our response to COVID-19 infections, to help sustain the medical care system, we are focusing on delivering and providing COVID-19-related products and devoting company-wide efforts to infection-prevention measures. Furthermore, 7,400 employees and their families have received two vaccinations in the workplace, and we are currently preparing the third doses.

Regarding the market segment restructuring of the Tokyo Stock Exchange planned for April 4, 2022, the Japan Exchange Group (JPX) announced on January 11, 2022 that the transition to a “Prime Market” has been decided.

The Company’s consolidated operating results for the nine months ended December 31, 2021 recorded 950,219 million yen for net sales (an increase of 3.6% on a year-on-year basis), 5,549 million yen for operating profit (an increase of 68.3% on a year-on-year basis), 9,887 million yen for ordinary profit (an increase of 31.6% on a year-on-year basis), and 6,910 million yen for profit attributable to owners of parent (an increase of 74.0% 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, despite the impact of suspensions from designated bidder lists due to violations of the Antimonopoly Act, sales of limited-handling products for selected wholesalers, such as specialty pharmaceuticals, recorded favorable growth. In addition, the Group has focused efforts on the delivery of vaccines and other COVID-19-related products and our response to the recall and shipping adjustments of products caused by some generic drug manufacturers’ GMP violations. In price negotiations, we have strived to offer appropriate prices considering product value and distribution costs. The Group has continued initiatives for customer support systems and services that help reduce contact opportunities and improve convenience for both patients and the Group, such as remote detailing services, the online medical examination/dosing guidance system “KAITOS”, the Initial Examination Reservation Service, and the centralized administration system for pharmacy operations “Mizar”. As a result, the pharmaceutical wholesaling business posted net sales of 913,790 million yen (an increase of 3.6% on a year-on-year basis) and segment profit (operating profit) of 3,648 million yen (an increase of 10.0% on a year-on-year basis) for the nine months ended December 31, 2021 under review.

In the dispensing pharmacy business, we made efforts to improve profitability by managing stores in line with dispensing fees, streamlining and standardizing operations through customer support systems, and reducing and revising costs. We also worked to enhance patient services, such as strengthening the online dosing guidance system, promoting patient adherence through SNS, and expanding OTC and healthcare product sales. In addition, with the enforcement of the amended Pharmaceuticals and Medical Devices Act, a certification system has begun since August 2021 for regional cooperation pharmacies and specialized medical institution cooperation pharmacies as pharmacies with designated functions. As such, we are working to obtain certification. Moreover, to promptly contain COVID-19 infections, we have continued to implement thorough infection-prevention measures at each store and are providing antigen test kits. As a result, the dispensing pharmacy business posted net sales of 68,910 million yen (an increase of 0.8% on a year-on-year basis) and segment profit (operating profit) of 2,280 million

yen (an increase of 30.8% on a year-on-year basis.)

In the pharmaceutical manufacturing and sales business, the Group has continued initiatives for product quality control. We also expanded our product line-up, including the launch of 3 ingredients and 5 products of generic drugs in December 2021, and as of the end of December 2021, we handled 88 ingredients and 209 products of generic drugs. As a result, the pharmaceutical manufacturing and sales business posted net sales of 6,703 million yen (an increase of 9.3% on a year-on-year basis.) and segment profit (operating profit) of 691 million yen (an increase of 8.5% on a year-on-year basis.).

In the other peripheral businesses, net sales amounted to 4,154 million yen and segment profit (operating profit) was 308 million yen.

(Note) Segment sales include inter-segment transactions.

## (2) Explanation of Financial Position

### (Assets)

Current assets increased 12.1% from the end of the previous consolidated fiscal year to 545,650 million yen with an increase in cash and deposits of 17,696 million yen, an increase in notes and accounts receivable-trade of 25,649 million yen, an increase in merchandise and finished goods of 9,131 million yen, and new component of return assets of 5,477 million yen in other.

Non-current assets decreased 5.3% from the end of the previous consolidated fiscal year to 185,809 million yen with a decrease in property, plant and equipment of 2,191 million yen, and a decrease in investment securities of 7,799 million yen.

As a result, consolidated net assets increased 7.1% from the end of the previous consolidated fiscal year, to 731,459 million yen.

### (Liabilities)

Current liabilities increased 13.6% from the end of the previous consolidated fiscal year to 428,137 million yen with an increase in notes and accounts payable-trade of 46,778 million yen, and new component of refund liability of 5,699 million yen in other.

Non-current liabilities decreased 6.0% from the end of the previous consolidated fiscal year to 64,943 million yen with a decrease in long-term borrowings of 1,989 million yen, and a decrease in deferred tax liabilities of 1,891 million yen in other.

As a result, total liabilities increased 10.6% from the end of the previous consolidated fiscal year, to 493,081 million yen.

### (Net assets)

Total net assets increased 0.4% from the end of the previous consolidated fiscal year to 238,378 million yen with an increase in retained earnings of 5,011 million yen, and a decrease in valuation difference on available-for-sale securities of 4,129 million yen.

## (3) Explanation of Projections of Consolidated Operating Results for Fiscal Year ending March 31, 2022

There are no changes in the projected consolidated results of the full-term of the fiscal year ending March 31, 2022 published on August 6, 2021.

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

(Unit: million yen)

	As of March 31, 2021	As of December 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	93,086	110,783
Notes and accounts receivable-trade	285,579	311,228
Merchandise and finished goods	76,208	85,340
Raw materials and supplies	180	208
Other	32,321	38,564
Allowance for doubtful accounts	-464	-474
<b>Total current assets</b>	<b>486,911</b>	<b>545,650</b>
Non-current assets		
Property, plant and equipment	97,837	95,646
Intangible assets		
Goodwill	388	809
Other	4,722	4,627
<b>Total intangible assets</b>	<b>5,110</b>	<b>5,437</b>
Investments and other assets		
Investment securities	82,550	74,751
Other	12,671	11,921
Allowance for doubtful accounts	-1,899	-1,947
<b>Total investments and other assets</b>	<b>93,321</b>	<b>84,725</b>
<b>Total non-current assets</b>	<b>196,269</b>	<b>185,809</b>
<b>Total assets</b>	<b>683,181</b>	<b>731,459</b>

(Unit: million yen)

	As of March 31, 2021	As of December 31, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	356,968	403,747
Short-term loans payable	2,876	2,923
Income taxes payable	2,035	1,489
Provision for bonuses	3,136	1,492
Provision for directors' bonuses	82	40
Provision for sales returns	227	—
Asset retirement obligations	51	—
Other	11,339	18,444
<b>Total current liabilities</b>	<b>376,717</b>	<b>428,137</b>
Non-current liabilities		
Bonds payable	20,043	20,028
Long-term loans payable	19,007	17,018
Retirement benefit liability	2,294	2,430
Asset retirement obligations	2,711	2,741
Provision for loss on Antimonopoly Act	4,213	3,963
Other	20,788	18,762
<b>Total non-current liabilities</b>	<b>69,058</b>	<b>64,943</b>
<b>Total liabilities</b>	<b>445,775</b>	<b>493,081</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	49,378	49,228
Retained earnings	168,872	173,883
Treasury stock	-15,784	-15,718
<b>Total shareholders' equity</b>	<b>213,117</b>	<b>218,043</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,506	24,376
Revaluation reserve for land	-4,380	-4,380
<b>Total accumulated other comprehensive income</b>	<b>24,125</b>	<b>19,996</b>
Subscription rights to shares	162	149
Non-controlling interests	—	190
<b>Total net assets</b>	<b>237,405</b>	<b>238,378</b>
<b>Total liabilities and net assets</b>	<b>683,181</b>	<b>731,459</b>

(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 Third Quarter]

(Unit: million yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	917,175	950,219
Cost of sales	842,460	872,297
Gross profit	74,714	77,922
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	33,134	33,564
Provision for bonuses	1,223	1,463
Provision for directors' bonuses	61	40
Retirement benefit expenses	175	199
Welfare expenses	5,803	5,818
Vehicle expenses	693	790
Provision of allowance for doubtful accounts	236	64
Depreciation	4,283	4,554
Amortization of goodwill	314	248
Rent expenses	6,247	6,044
Taxes and dues	1,344	1,519
Expense before deduction of temporary consumption tax payment	4,691	4,760
Other	13,206	13,303
Total selling, general and administrative expenses	71,416	72,372
Operating profit	3,298	5,549
Non-operating profit		
Interest income	53	46
Dividend income	1,176	1,151
Commission fee	2,349	2,357
Equity in earnings of affiliates	12	4
Other	1,426	1,157
Total non-operating profit	5,019	4,717
Non-operating expenses		
Interest expenses	59	56
Expenses of real estate rent	188	149
Other	556	174
Total non-operating expenses	805	380
Ordinary profit	7,512	9,887



(Unit: million yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Extraordinary income		
Gain on sales of non-current assets	14	71
Gain on sales of investment securities	25	1,039
Other	3	23
Total extraordinary income	42	1,134
Extraordinary loss		
Loss on disposal of non-current assets	75	105
Impairment loss	55	127
Loss on valuation of investment securities	75	385
Other	52	8
Total extraordinary loss	259	627
Income before income taxes	7,295	10,394
Income taxes-current	1,816	3,080
Income taxes-deferred	1,507	377
Total income taxes	3,324	3,457
Current net income	3,970	6,936
Profit attributable to non-controlling interests	—	26
Profit attributable to owners of parent	3,970	6,910

Quarterly Consolidated Statements of Comprehensive Income  
 [Period for the consolidated third quarter]

(Unit: million yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Current net income	3,970	6,936
Other comprehensive income		
Valuation difference on available-for-sale securities	6,323	-4,105
Share of other comprehensive income of associates accounted for using equity method	0	-24
Total other comprehensive income	6,324	-4,129
Comprehensive income	10,295	2,806
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	10,295	2,780
Comprehensive income attributable to non-controlling interests	—	26

(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 third quarter (from April 1, 2021 to December 31, 2021)

Not applicable.

(Changes in the 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 third quarter under review decreased by 1,719 million yen, cost of sales decreased by 1,717 million yen, and gross profit, operating profit, ordinary profit and profit before income taxes decreased by 2 million yen, respectively. The balance of retained earnings at the beginning of the fiscal year decreased by 28 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 third quarter (from April 1, 2020 to December 31, 2020)

## 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)	Pharmaceutical Manufacturing and Sales (million yen)	Other Peripheral Businesses (million yen)	Total (million yen)		
Net Sales							
(1) Sales to external customers	846,229	68,383	1,758	804	917,175	—	917,175
(2) Inter-segment sales	35,414	3	4,373	144	39,935	-39,935	—
Total	881,643	68,387	6,131	948	957,110	-39,935	917,175
Segment profit	3,318	1,742	636	-351	5,345	-2,047	3,298

(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 profit or losses 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 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 third quarter (from April 1, 2021 to December 31, 2021)

## 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	876,813	68,904	1,377	3,124	950,219	—	950,219
(2) Inter-segment sales	36,976	5	5,326	1,029	43,338	-43,338	—
Total	913,790	68,910	6,703	4,154	993,557	-43,338	950,219
Segment profit	3,648	2,280	691	308	6,928	-1,378	5,549

(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 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 third 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 third quarter of the fiscal year under review decreased by 1,719 million yen and 2 million yen, respectively, compared with before the reclassification.