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February 9, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022 (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, 2023
 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, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2022	1,057,814	11.3	8,552	54.1	13,428	35.8	9,534	38.0
December 31, 2021	950,219	3.6	5,549	68.3	9,887	31.6	6,910	74.0

Note: Comprehensive income For the nine months ended December 31, 2022: ¥ 8,917 million [217.7%]
 For the nine months ended December 31, 2021: ¥ 2,806 million [-72.7%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	136.09	125.10
December 31, 2021	97.98	90.07

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2022	794,382	240,383	30.2
March 31, 2022	702,376	241,281	34.3

Reference: Equity As of December 31, 2022: ¥240,147 million
 As of March 31, 2022: ¥240,931 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, 2022	—	15.00	—	15.00	30.00
Fiscal year ending March 31, 2023	—	16.00			
Fiscal year ending March 31, 2023 (Forecast)			—	16.00	32.00

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

3. Consolidated projected results of operations during fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
Full year	1,269,000	0.2	12,300	-1.8	17,600	-3.2	11,300	-15.5
								163.07

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, 2022	78,270,142 shares
As of March 31, 2022	78,270,142 shares

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

As of December 31, 2022	11,302,419 shares
As of March 31, 2022	7,729,376 shares

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

Nine months ended December 31, 2022	70,059,745 shares
Nine months ended December 31, 2021	70,525,653 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, 2023 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, 2022

(1) Explanation of Management Results

The prescription pharmaceuticals market during the third quarter of the fiscal year under review showed positive growth due to increased demand for COVID-19-related products, including therapeutic agents and test kits under the circumstances of further spread of the infections. The Group achieved favorable results due to sales growth of new drugs such as cancer treatment drugs, specialty pharmaceuticals and orphan medicinal products as well as sales expansion of COVID-19-related products.

The Group continued to make utmost efforts to prevent infections to protect its employees, their families, customers, patients, etc., and to focus on delivering COVID-19-related products, such as vaccines, needles and syringes, and therapeutics in order to contribute to the maintenance of the medical care system.

As for customer support systems, the Group actively worked on proposals for systems such as the online medical examination/dosing guidance system “KAITOS” whose functions were improved as an application version, the Initial Examination Reservation Service and the centralized administration system for pharmacy operations “Mizar.” The Group also introduced online promotion using remote detailing services that enTouch K.K., one of its subsidiaries, provides.

In the logistics division, in response to many requests of manufacturer logistics as well as wholesale logistics expressed by pharmaceutical manufacturers who evaluate its location and functions of TBC DynaBASE, the Group promotes logistics for manufacturers by using TBC DynaBASE. LEO Pharma K.K. valued its highly-functional logistics system, emergency response system, and contract performance history, so that the Group was entrusted with distribution operation of the topical treatment of psoriasis vulgaris “Dovonex® Ointment 50μg/g” launched by their own sales in January 2023.

As one of the medium-and long-term management strategies, we are incorporating leading-edge technologies in growth fields and promoting collaboration without boundaries and active investment. As part of such efforts, we agreed with the National Institute of Advanced Industrial Science and Technology to establish a cooperative research laboratory in April 2023 and conduct joint research in a bid to solve various issues related to access to medical care.

The Company’s consolidated operating results for the nine months ended December 31, 2022 recorded 1,057,814 million yen for net sales (an increase of 11.3% on a year-on-year basis), 8,552 million yen for operating profit (an increase of 54.1% on a year-on-year basis), 13,428 million yen for ordinary profit (an increase of 35.8% on a year-on-year basis), and 9,534 million yen for profit attributable to owners of parent (an increase of 38.0% on a year-on-year basis).

The outline of business segment operating results are as follows.

In the pharmaceutical wholesaling business, sales of limited-handling products for selected wholesalers, such as specialty pharmaceuticals, steadily expanded and the demand for COVID-19 therapeutic agents and test kits also increased due to the resurgence of the infections, contributing significantly to total sales. In price negotiations with medical institutions, we have made efforts to maintain and improve the level of profit by continuing to offer an appropriate price commensurate with each product value and distribution costs amid the situation that we could not dedicate enough time to price negotiations with medical institutions owing to dealing with shipment coordination of generic drugs and antipyretic analgesics. On the other hand, in order to promptly respond to a changing business environment in the pharmaceuticals market, we reinforced our sales support system by restructuring sales offices and introducing a “new Meissa,” a mobile terminal that supports MSs. As a result, the pharmaceutical wholesaling business posted net sales of 1,019,985 million yen (an increase of 11.6% on a year-on-year basis) and segment profit (operating profit) of 6,778 million yen (an increase of 85.8% on a year-on-year basis) for the nine months ended December 31, 2022 under review.

In the dispensing pharmacy business, we implemented opening of new stores and closure on the basis of profitability while responding to the revision of medical treatment fees. Furthermore, we strived to improve patient’s services by using digital tools including medication adherence through SNS, online dosing guidance and promotion of an application to send a prescription. As a result, net sales of the dispensing pharmacy business were 68,843 million yen (a decrease of 0.1% year on year) and segment profit (operating profit) was 1,738 million yen (a decrease of 23.8% year on year).

In the pharmaceutical manufacturing and sales business, we have been engaged in the stable supply of high-quality and high value-added pharmaceuticals by strictly monitoring the quality of products based on our own verification system and establishing a planned production system based on the demand. In addition, we expanded our product lineup by launching 1 ingredient and 2 products. As of the end of December 2022, the product lineup was composed of 89 ingredients and 208 generic products. As a result, the pharmaceutical manufacturing and sales business posted net sales of 7,442 million yen (an increase of 11.0% on a year-on-year basis.) and segment profit (operating profit) of 715 million yen (an increase of 3.5% on a year-on-year basis.).

In the other peripheral businesses, net sales amounted to 4,939 million yen (an increase of 18.9% on a year-on-year basis.) and segment profit (operating profit) was 449 million yen (an increase of 45.5% on a year-on-year basis.).

(Note) Segment sales include inter-segment transactions.

(2) Explanation of Financial Position

(Assets)

Current assets increased 18.7% from the end of the previous consolidated fiscal year to 609,192 million yen with an increase in cash and deposits of 18,658 million yen, an increase in notes and accounts receivable-trade of 56,382 million yen, and an increase in merchandise and finished goods of 15,146 million yen.

Non-current assets decreased 2.2% from the end of the previous consolidated fiscal year to 185,189 million yen with a decrease in property, plant and equipment of 3,156 million yen.

As a result, consolidated net assets increased 13.1% from the end of the previous consolidated fiscal year, to 794,382 million yen.

(Liabilities)

Current liabilities increased 27.5% from the end of the previous consolidated fiscal year to 513,629 million yen with an increase in notes and accounts payable-trade of 98,817 million yen, and an increase in current portion of bonds payable of 20,008 million yen, a decrease in short-term borrowings of 3,674 million yen, and a decrease in income taxes payable of 3,465 million yen.

Non-current liabilities decreased 30.7% from the end of the previous consolidated fiscal year to 40,369 million yen with an increase in long-term borrowings of 1,502 million yen, and a decrease in bonds payable of 20,023 million yen.

As a result, total liabilities increased 20.1% from the end of the previous consolidated fiscal year, to 553,998 million yen.

(Net assets)

Total net assets decreased 0.4% from the end of the previous consolidated fiscal year to 240,383 million yen with an increase in retained earnings of 7,322 million yen, and an increase in treasury shares of 7,387 million yen.

(3) Explanation of Projections of Consolidated Operating Results for Fiscal Year ending March 31, 2023

There are no changes in the projected consolidated results of the full-term of the fiscal year ending March 31, 2023 published on May 13, 2022.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: million yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	94,256	112,915
Notes and accounts receivable-trade	301,601	357,984
Merchandise and finished goods	80,169	95,315
Raw materials and supplies	194	209
Other	37,175	43,160
Allowance for doubtful accounts	-290	-391
Total current assets	513,107	609,192
Non-current assets		
Property, plant and equipment	94,653	91,496
Intangible assets		
Goodwill	733	596
Other	4,443	4,718
Total intangible assets	5,177	5,315
Investments and other assets		
Other	91,289	90,437
Allowance for doubtful accounts	-1,851	-2,060
Total investments and other assets	89,438	88,377
Total non-current assets	189,268	185,189
Total assets	702,376	794,382

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	370,012	468,829
Short-term borrowings	6,545	2,870
Current portion of bonds payable	—	20,008
Income taxes payable	5,416	1,950
Provision for bonuses	3,252	1,575
Provision for bonuses for directors	53	31
Asset retirement obligations	4	1
Other	17,535	18,361
Total current liabilities	402,819	513,629
Non-current liabilities		
Bonds payable	20,023	—
Long-term borrowings	12,596	14,098
Retirement benefit liability	2,423	2,479
Asset retirement obligations	2,741	2,753
Provision for loss on Antimonopoly Act	3,639	5,039
Other	16,850	15,999
Total non-current liabilities	58,275	40,369
Total liabilities	461,095	553,998
Net assets		
Shareholders' equity		
Share capital	10,649	10,649
Capital surplus	49,228	49,146
Retained earnings	180,254	187,576
Treasury shares	-15,719	-23,107
Total shareholders' equity	224,413	224,265
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,792	20,158
Revaluation reserve for land	-4,273	-4,276
Total accumulated other comprehensive income	16,518	15,881
Share acquisition rights	149	146
Non-controlling interests	199	89
Total net assets	241,281	240,383
Total liabilities and net assets	702,376	794,382

(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, 2022]

(Unit: million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	950,219	1,057,814
Cost of sales	872,297	975,697
Gross profit	77,922	82,117
Selling, general and administrative expenses		
Remuneration, salaries and allowances for directors	33,564	33,390
Provision for bonuses	1,463	1,546
Provision for bonuses for directors	40	31
Retirement benefit expenses	199	210
Welfare expenses	5,818	5,849
Vehicle expenses	790	824
Provision of allowance for doubtful accounts	64	325
Depreciation	4,554	4,150
Amortization of goodwill	248	222
Rent expenses	6,044	5,986
Taxes and dues	1,519	1,565
Non-deductible temporary paid consumption tax expense	4,760	4,810
Other	13,303	14,648
Total selling, general and administrative expenses	72,372	73,564
Operating profit	5,549	8,552
Non-operating income		
Interest income	46	41
Dividend income	1,151	1,048
Commission income	2,357	2,446
Share of profit of entities accounted for using equity method	4	132
Other	1,157	1,564
Total non-operating income	4,717	5,234
Non-operating expenses		
Interest expenses	56	54
Real estate lease expenses	149	160
Other	174	144
Total non-operating expenses	380	358
Ordinary profit	9,887	13,428

(Unit: million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Extraordinary income		
Gain on sale of non-current assets	71	115
Gain on sale of investment securities	1,039	2,784
Other	23	19
Total extraordinary income	1,134	2,920
Extraordinary losses		
Loss on disposal of non-current assets	105	113
Impairment losses	127	26
Provision for loss on Antimonopoly Act	—	1,400
Other	394	359
Total extraordinary losses	627	1,900
Profit before income taxes	10,394	14,448
Income taxes-current	3,080	4,737
Income taxes-deferred	377	159
Total income taxes	3,457	4,897
Net profit	6,936	9,551
Profit attributable to non-controlling interests	26	17
Profit attributable to owners of parent	6,910	9,534

Quarterly Consolidated Statements of Comprehensive Income
[Nine months ended December 31, 2022]

(Unit: million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net profit	6,936	9,551
Other comprehensive income		
Valuation difference on available-for-sale securities	-4,105	-692
Share of other comprehensive income of entities accounted for using equity method	-24	58
Total other comprehensive income	-4,129	-634
Comprehensive income	2,806	8,917
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,780	8,899
Comprehensive income attributable to non-controlling interests	26	17

(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)

Strelitzia has been included in the scope of consolidation from the first quarter of the fiscal year under review as its importance increased.

(Notes Concerning Material Changes in Shareholders' Equity)

Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

Not applicable.

(Changes in the Accounting Policies)

The Group decided to adopt the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as "Implementation Guidance on Accounting Standard for Fair Value Measurement") at the beginning of the consolidated fiscal year under review, and in accordance with the transitional treatment set forth in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policies set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement shall be applied into the future. There is no impact on the quarterly consolidated financial statements.

(Segmental Information)

I Nine months ended 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 non-current assets or goodwill by each business segment

Not applicable.

II 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	983,583	68,839	1,613	3,777	1,057,814	—	1,057,814
(2) Inter-segment sales	36,401	4	5,829	1,161	43,396	-43,396	—
Total	1,019,985	68,843	7,442	4,939	1,101,210	-43,396	1,057,814
Segment profit	6,778	1,738	715	449	9,681	-1,128	8,552

(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.