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August 5, 2022

Consolidated Financial Results for the Three Months Ended June 30, 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: August 12, 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 three months ended June 30, 2022

(from April 1, 2022 to June 30, 2022)

(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	%
Three months ended								
June 30, 2022	323,397	4.7	1,397	120.0	3,142	39.1	2,061	19.1
June 30, 2021	308,828	3.4	635	-64.2	2,258	-35.7	1,730	-23.8

Note: Comprehensive income For the three months ended June 30, 2022: ¥3,548 million [277.0%]
 For the three months ended June 30, 2021: ¥941 million [-86.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2022	29.22	26.86
June 30, 2021	24.55	22.55

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2022	710,058	243,743	34.3
March 31, 2022	702,376	241,281	34.3

Reference: Equity As of June 30, 2022: ¥243,386 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	—				
Fiscal year ending March 31, 2023 (Forecast)		16.00	—	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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First Half	630,000	1.5	5,700	205.9	8,400	74.9	5,600	71.2	79.39
Full year	1,269,000	0.2	12,300	-1.8	17,600	-3.2	11,300	-15.5	160.19

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 June 30, 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 June 30, 2022	7,729,432 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)

Three months ended June 30, 2022	70,540,732 shares
Three months ended June 30, 2021	70,512,153 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 Three Months Ended June 30, 2022

(1) Explanation of Management Results

The prescription pharmaceuticals market in the first quarter of the fiscal year under review continued to be affected by measures to curtail medical expenses, such as the lowering of NHI drug prices by 6.69% on a drug cost basis in the revision of medical treatment fees implemented in April 2022. However, it showed positive growth due to growth in new drugs such as cancer drugs and specialty drugs, along with improvements in the limited clinic visits by patients. When it comes to COVID-19 infections, although there have been moves toward the normalization of socio-economic activities, such as the easing of restrictions on activities, the future of this market remains uncertain owing to concerns about the effects of another rise in infections on the medical care system. Under these circumstances, 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 newly released Future ENIF-WEB, a web version of ENIF, information terminal for pharmaceutical ordering, in May 2022. Since it is now possible to place orders not only from a PC but also from a tablet, the new application is expected to be used especially in the field of home medical care. In addition, the number of users of the Initial Examination Reservation Service has been steadily increasing, with a record high of more than 73,000 in June alone, contributing to increased profitability.

In the logistics division, TBC Hokuriku (Kanazawa City, Ishikawa Prefecture), a key logistics facility and the only logistics center for prescription pharmaceuticals in the Hokuriku area, began full operation on May 6, 2022. We have streamlined operations of both customers and the Company by introducing no-inspection system whereby the inspection of products is omitted at the time of delivery. It also contributes to reducing contact during the COVID-19 pandemic. In addition, multi-order picking has achieved work efficiency in the warehouse. In response to the increasing number of specialty pharmaceuticals that require rigorous temperature control in freezing conditions, including vaccines for COVID-19, we have developed a new Constant-Temperature Transportation Device, SALM FZ, which can be used for transport in a wide temperature range of -25 °C to + 4 °C. SALM FZ is capable of recording its internal temperature and device condition on the built-in recorder and hence enables the use of data as evidence to determine whether the quality of specialty pharmaceuticals inside is harmed. The device allows you to return and resell the products, helping you significantly reduce the risk of wasting expensive specialty pharmaceuticals.

With regard to initiatives to improve profitability and enhance corporate value, we conducted an extensive review of our organization and personnel, including the consolidation of sales offices, with the aim of improving productivity by optimizing Group management and streamlining the organization. In June 2022, the number of directors was reduced from 14 to 9 in order to build a flexible management system. They include one female and three outside directors. We will continue to enhance corporate governance as an important management issue.

The Company's consolidated operating results for the three months ended June 30, 2022 recorded 323,397 million yen for net sales (an increase of 4.7% on a year-on-year basis), 1,397 million yen for operating profit (an increase of 120.0% on a year-on-year basis), 3,142 million yen for ordinary profit (an increase of 39.1% on a year-on-year basis), and 2,061 million yen for profit attributable to owners of parent (an increase of 19.1% 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, contributing significantly to total sales. We also continued to actively work on proposals for customer support systems. In particular, the demand for remote detailing services has been steadily increasing amid restrictions on manufacturers' visits to medical institutions due to the COVID-19 pandemic. In this climate, we have had many manufacturers who continue to use our systems to evaluate the system connection rate, new clients (hospitals and clinics), new patient acquisitions, and sales promotions after remote connection. We have also received many inquiries. In price negotiations with medical institutions, we have strived to offer appropriate prices considering each product value and distribution costs in accordance with the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions / Pharmacies that was revised in January 2022. As a result, the pharmaceutical wholesaling business posted net sales of 311,792 million yen (an increase of 4.8% on a year-on-year basis) and segment profit (operating profit) of 1,281 million yen (an increase of 131.0% on a year-on-year basis) for the three months ended June 30, 2022 under review.

In the dispensing pharmacy business, we worked to enhance patient services, including the training of family pharmacists, the enhancement of online dosing guidance, and the expansion of OTC and healthcare product sales. In addition, we continued to streamline and standardize operations through the use of customer support systems and to improve profitability through a comprehensive review of expenses. However, owing to the effect of the revision of dispensing fees implemented in April 2022, net sales were 22,223 million yen (a decrease of 1.4% year on year) and segment profit (operating profit) was 133 million yen (a decrease of 61.9% 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. In addition, we expanded our product lineup by launching two ingredients and three products of generic drugs when supplementary products were listed in the NHI price list in June 2022. As of the end of June 2022, the product lineup was composed of 88 ingredients and 206 generic products. As a result, the pharmaceutical manufacturing and sales business posted net sales of 2,485 million yen (an increase of 27.6% on a year-on-year basis.) and segment profit (operating profit) of 288 million yen (an increase of 47.2% on a year-on-year basis.).

In the other peripheral businesses, net sales amounted to 1,508 million yen (an increase of 18.6% on a year-on-year basis.) and segment profit (operating profit) was 94 million yen.

(Note) Segment sales include inter-segment transactions.

(2) Explanation of Financial Position

(Assets)

Current assets increased 1.3% from the end of the previous consolidated fiscal year to 519,927 million yen with an increase in notes and accounts receivable-trade of 4,759 million yen, and an increase in merchandise and finished goods of 818 million yen.

Non-current assets increased 0.5% from the end of the previous consolidated fiscal year to 190,130 million yen with an increase in investment securities of 1,743 million yen, and a decrease in property, plant and equipment of 1,027 million yen.

As a result, consolidated net assets increased 1.1% from the end of the previous consolidated fiscal year, to 710,058 million yen.

(Liabilities)

Current liabilities increased 6.4% from the end of the previous consolidated fiscal year to 428,430 million yen with an increase in notes and accounts payable-trade of 7,017 million yen, and an increase in current portion of bonds payable of 20,018 million yen in other.

Non-current liabilities decreased 35.0% from the end of the previous consolidated fiscal year to 37,884 million yen with a decrease in bonds payable of 20,023 million yen in other.

As a result, total liabilities increased 1.1% from the end of the previous consolidated fiscal year, to 466,314 million yen.

(Net assets)

Total net assets increased 1.0% from the end of the previous consolidated fiscal year to 243,743 million yen with an increase in retained earnings of 975 million yen, and an increase in valuation difference on available-for-sale securities of 1,478 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 June 30, 2022
Assets		
Current assets		
Cash and deposits	94,256	94,385
Notes and accounts receivable-trade	301,601	306,361
Merchandise and finished goods	80,169	80,987
Raw materials and supplies	194	175
Other	37,175	38,310
Allowance for doubtful accounts	-290	-292
Total current assets	513,107	519,927
Non-current assets		
Property, plant and equipment	94,653	93,625
Intangible assets		
Goodwill	733	717
Other	4,443	4,515
Total intangible assets	5,117	5,233
Investments and other assets		
Investment securities	78,742	80,486
Other	12,547	12,546
Allowance for doubtful accounts	-1,851	-1,760
Total investments and other assets	89,438	91,271
Total non-current assets	189,268	190,130
Total assets	702,376	710,058

(Unit: million yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable-trade	370,012	377,029
Short-term borrowings	6,545	6,499
Current portion of bonds payable	—	20,018
Income taxes payable	5,416	1,644
Provision for bonuses	3,252	4,925
Provision for bonuses for directors	53	10
Asset retirement obligations	4	6
Other	17,535	18,295
Total current liabilities	402,819	428,430
Non-current liabilities		
Bonds payable	20,023	—
Long-term borrowings	12,596	11,969
Retirement benefit liability	2,423	2,419
Asset retirement obligations	2,741	2,747
Provision for loss on Antimonopoly Act	3,639	3,639
Other	16,850	17,109
Total non-current liabilities	58,275	37,884
Total liabilities	461,095	466,314
Net assets		
Shareholders' equity		
Share capital	10,649	10,649
Capital surplus	49,228	49,228
Retained earnings	180,254	181,299
Treasury shares	-15,719	-15,719
Total shareholders' equity	224,413	225,388
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,792	22,271
Revaluation reserve for land	-4,273	-4,273
Total accumulated other comprehensive income	16,518	17,997
Share acquisition rights	149	149
Non-controlling interests	199	207
Total net assets	241,281	243,743
Total liabilities and net assets	702,376	710,058

(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 First Quarter]

(Unit: million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	308,828	323,397
Cost of sales	284,054	297,884
Gross profit	24,769	25,513
Selling, general and administrative expenses		
Remuneration, salaries and allowances for directors	10,074	10,004
Provision for bonuses	1,645	1,712
Provision for bonuses for directors	13	10
Retirement benefit expenses	61	69
Welfare expenses	1,934	1,929
Vehicle expenses	244	266
Provision of allowance for doubtful accounts	-19	-86
Depreciation	1,503	1,360
Amortization of goodwill	82	75
Rent expenses	2,013	1,997
Taxes and dues	581	532
Non-deductible temporary paid consumption tax expense	1,617	1,619
Other	4,382	4,623
Total selling, general and administrative expenses	24,134	24,116
Operating profit	635	1,397
Non-operating income		
Interest income	14	13
Dividend income	564	500
Commission income	795	818
Other	418	585
Total non-operating income	1,792	1,918
Non-operating expenses		
Interest expenses	18	20
Share of loss of entities accounted for using equity method	8	67
Real estate lease expenses	47	47
Other	93	37
Total non-operating expenses	168	172
Ordinary profit	2,258	3,142

(Unit: million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Extraordinary income		
Gain on sales of non-current assets	0	64
Gain on sales of investment securities	425	—
Gain on liquidation of investment securities	—	16
Other	0	—
Total extraordinary income	426	80
Extraordinary loss		
Loss on disposal of non-current assets	56	6
Impairment losses	6	19
Loss on valuation of investment securities	231	169
Other	0	3
Total extraordinary losses	294	200
Profit before income taxes	2,390	3,023
Income taxes-current	1,768	1,799
Income taxes-deferred	-1,116	-845
Total income taxes	651	953
Net profit	1,738	2,069
Profit attributable to non-controlling interests	7	8
Profit attributable to owners of parent	1,730	2,061

Quarterly Consolidated Statements of Comprehensive Income
 [Period for the Consolidated First Quarter]

(Unit: million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net profit	1,738	2,069
Other comprehensive income		
Valuation difference on available-for-sale securities	-845	1,467
Share of other comprehensive income of entities accounted for using equity method	47	11
Total other comprehensive income	-797	1,478
Comprehensive income	941	3,548
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	933	3,540
Comprehensive income attributable to non-controlling interests	7	8

(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 their importance increased.

(Notes Concerning Material Changes in Shareholders' Equity)

This consolidated first quarter (from April 1, 2022 to June 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.

(Additional Information)

Contingent liability

Kyushu Toho Co., Ltd., a consolidated subsidiary, received an onsite inspection by the Japan Fair Trade Commission for suspected violation of the Antimonopoly Act regarding its bidding by the Headquarters of the National Hospital Organization for ethical pharmaceuticals that are to be purchased by hospitals located in the Kyushu area that are operated by the National Hospital Organization or Japan Organization of Occupational Health and Safety on November 9, 2021, and investigations is still ongoing. While our consolidated business performance may eventually be adversely impacted by the outcome of the above investigations, it is impossible to reasonably estimate the financial impact at this time.

(Segmental Information)

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

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	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 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.

II This consolidated first quarter (from April 1, 2022 to June 30, 2022)

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	299,409	22,223	612	1,152	323,397	—	323,397
(2) Inter-segment sales	12,383	0	1,872	356	14,612	-14,612	—
Total	311,792	22,223	2,485	1,508	338,010	-14,612	323,397
Segment profit	1,281	133	288	94	1,798	-401	1,397

(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.