

# Summary of Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2021

February 9, 2021

Name of Listed Company: TOHO HOLDINGS CO., LTD.

Listed: Tokyo Stock Exchange

Securities Code Number: 8129

URL: <http://www.tohold.co.jp/>

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Scheduled Submission Date for Quarterly Report: February 12, 2021

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 Third Quarter of Fiscal Year Ending March 31, 2021 (from April 1, 2020 to December 31, 2020)

### (1) Consolidated Results of Operations (Cumulative)

(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	%
Nine Months ended December 2020	917,175	-5.3	3,298	-75.1	7,512	-58.3	3,970	-66.5
Nine Months ended December 2019	968,202	4.4	13,226	28.8	18,000	23.4	11,870	25.6

(Note) Comprehensive income: Nine Months ended December 2020: 10,295 million yen (-37.4%); Nine Months ended December 2019: 16,455 million yen (124.8%)

	Current Net Income per Share		Current Net Income per Share - Diluted	
	Yen		Yen	
Nine Months ended December 2020	56.32		51.71	
Nine Months ended December 2019	172.00		152.20	

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	Million yen	Million yen	%
Nine Months ended December 2020	718,499	239,674	33.3
Fiscal Year ended March 2020	670,827	231,009	34.4

(Reference) Shareholder's equity: Nine Months ended December 2020: 239,511 million yen; FY ended March 2020: 230,842 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
Fiscal Year ended March 2020	—	20.00	—	20.00	40.00
Fiscal Year ending March 2021	—	15.00	—		
Fiscal Year ending March 2021 (Projected)				15.00	30.00

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

Breakdown of cash dividends for the FY ended March 2020: Commemorative dividend: 10yen; Ordinary dividend: 30yen

## 3. Consolidated Projected Results of Operations during Fiscal Year Ending March 2021 (from April 1, 2020 to March 31, 2021)

The consolidated projected operations results during fiscal year ending March 2021 is on hold, since it is difficult to forecast the impact of the spread of novel coronavirus infections (COVID-19) at this point.

The results will be disclosed promptly when a rational estimation becomes available.

\* Notes

(1) Changes in material subsidiaries during the third quarter ended December 2020: N.A.

(Changes in special subsidiaries accompanying 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 changes in accounting estimates, and correction and restatement

(i) Changes in accounting policies with accompanying revisions in accounting standards, etc.: N.A.

(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 end of fiscal year (Including common stock for treasury)

Third Quarter ended December 2020	78,270,142	FY Ended March 2020	78,270,142
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(ii) Number of treasury stocks at end of fiscal year

Third Quarter ended December 2020	7,759,693	FY Ended March 2020	7,759,209
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(iii) The average number of shares during the third quarter

Third Quarter ended December 2020	70,510,790	Third Quarter ended December 2019	69,016,497
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\*Summary of Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 2021 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 Third Quarter ended December 2020

### (1) Explanation of Management Results

The prescription pharmaceuticals market during the third quarter of the fiscal year under review remained in a severe environment. This was because of re-expansion of the tendency to limit clinic visits by patients, who were alert to the risks of COVID-19 under the circumstances of further spread of the infections as the resurgence of the third wave, in addition to the adverse effects from ongoing measures to curtail medical expenses such as NHI drug price revisions in April 2020 and promoting the use of generic drugs. Under these circumstances, as a business group involved in medical care, health, and nursing care, the Group strived for activities that placed the utmost priority on providing a stable supply of pharmaceuticals and other medical products to maintain healthcare delivery systems, under the Group's social mission of "stably supplying pharmaceuticals and other medical products, even during times of emergency."

As for our company's original customer support systems for solving problems faced by patients, medical institutions or other organizations, on February 5, 2021, we launched a new lineup of our online medical examination/dosing guidance system "KAITOS." The Group exerts all our strength to meet the needs of both patients who want to receive medical care with peace of mind and medical institutions who want to provide safe and secure medical services to patients.

The Group's highly functional logistics system, emergency response, and the results of the outsourced business so far were highly evaluated, and on December 10, 2020, the Group was entrusted by SymBio Pharmaceuticals Limited to distribute Treakisym®, an antineoplastic drug. Furthermore, we entered into a business alliance regarding exclusive sales with KUBIX Inc., a medical venture company originating at Kanazawa University, and have been exclusively selling the company's novel coronavirus (SARS-CoV-2) detection kit since December 21, 2020.

The Company's consolidated operating results for nine months ended December 31, 2020 recorded 917,175 million yen for net sales (a decrease of 5.3% on a year-on-year basis), 3,298 million yen for operating income (a decrease of 75.1% on a year-on-year basis), 7,512 million yen for ordinary income (a decrease of 58.3% on a year-on-year basis), and 3,970 million yen for profit attributable to owners of parent (a decrease of 66.5% on a year-on-year basis).

The outline of business segment operating results are as follows. For your reference, 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.

In the pharmaceutical wholesaling business, we have made efforts to conduct unit price negotiations per single item based on the value of each product and in accordance with the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies. The Group worked to propose customer support systems that contribute to the reduction of face-to-face communication, such as remote detailing services through collaboration with enTouch KK, Initial Examination Reservation Service, and medical appointment reservation systems. In addition, the Group promoted a delivery business model that contributes 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," which does not require inspections at the time of delivery. However, due to the large effects of limited clinic visits by patients who are alert to the risks of COVID-19, in addition to the price competition among wholesalers, the pharmaceutical wholesaling business posted net sales of 881,643 million yen (a decrease of 5.4% on a year-on-year basis) and segment income (operating income) of 3,318 million yen (a decrease of 75.6% on a year-on-year basis) for the third quarter of the fiscal year under review.

In the dispensing pharmacy business, we responded to the revision of dispensing fees and promoted management efficiency by consolidating operations to the headquarters. We strived to improve profitability by measures such as optimizing inventory through the use of the automatic ordering function based on the demand forecast of the centralized administration system for pharmacy operations "Mizar." And yet, due to the decreased demand for prescription pharmaceuticals as a result of limited clinic visits by patients, the dispensing pharmacy business posted net sales of 68,387 million yen (a decrease of 5.3% on a year-on-year basis) and segment income (operating income) of 1,742 million yen (a decrease of 2.2% on a year-on-year basis.)

In the pharmaceutical manufacturing and sales business, the Group is engaged in stable supply and manufacturing/sales of high quality and high value-added pharmaceuticals by strictly monitoring the quality of products based on its own verification system. As for generic drugs, we expanded our product lineup by launching 2 ingredients and 7 products in December 2020, and as of the end of December 2020, the product lineup was composed of 83 ingredients and 202 products. As a result, the pharmaceutical manufacturing and sales business posted net sales of 6,131 million yen and segment income (operating income) of 636 million yen.

In the SMO operations, net sales amounted to 157 million yen (a decrease of 17.8% on a year-on-year basis) and segment loss (operating loss) was 226 million yen. In the information equipment sales operations, net sales for the third quarter of the current fiscal year totaled 790 million yen (a decrease of 17.5% on a year-on-year basis), with segment loss (operating loss) of 125 million yen.

(Note) Segment sales include inter-segment transactions.



## (2) Explanation of Financial Position

### (Assets)

Current assets increased 7.6% from the end of the previous consolidated fiscal year to 514,500 million yen with an increase in cash and deposits of 12,214 million yen, an increase in notes and accounts receivable-trade of 15,787 million yen, and an increase in merchandise and finished goods of 5,296 million yen.

Noncurrent assets increased 5.8% from the end of the previous consolidated fiscal year to 203,999 million yen with an increase in property, plant and equipment of 2,386 million yen, and an increase in investment securities of 9,455 million yen.

As a result, consolidated net assets increased 7.1% from the end of the previous consolidated fiscal year to 718,499 million yen.

### (Liabilities)

Current liabilities increased 9.5% from the end of the previous consolidated fiscal year to 413,989 million yen with an increase in notes and accounts payable-trade of 39,109 million yen.

Noncurrent liabilities increased 4.9% from the end of the previous consolidated fiscal year to 64,835 million yen with an increase in deferred tax liabilities of 3,716 million yen.

As a result, total liabilities increased 8.9% from the end of the previous consolidated fiscal year to 478,825 million yen.

### (Net assets)

Total net assets increased 3.8% from the end of the previous consolidated fiscal year to 239,674 million yen with an increase in retained earnings of 2,234 million yen, and an increase in valuation difference on available-for-sale securities of 6,324 million yen.

## (3) Explanation of Projections of Consolidated Operating Results for Fiscal Year ending March 2021

The consolidated projected operations results during fiscal year ending March 2021 is on hold, since it is difficult to forecast the impact of the spread of novel coronavirus infections (COVID-19) at this point.

The results will be disclosed promptly when a rational estimation becomes available.

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

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2020)	End of this consolidated third quarter (As of December 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	84,219	96,434
Notes and accounts receivable-trade	285,548	301,336
Securities	10	-
Merchandise and finished goods	75,679	80,975
Raw materials and supplies	-	201
Other	32,838	36,070
Allowance for doubtful accounts	-337	-517
Total current assets	477,958	514,500
Noncurrent assets		
Property, plant and equipment	96,399	98,785
Intangible assets		
Goodwill	760	446
Other	3,843	4,476
Total intangible assets	4,604	4,923
Investments and other assets		
Investment securities	80,351	89,806
Other	13,930	12,951
Allowance for doubtful accounts	-2,416	-2,467
Total investments and other assets	91,865	100,289
Total noncurrent assets	192,869	203,999
Total assets	670,827	718,499

(Unit: million yen)

	Previous consolidated fiscal year (As of March 31, 2020)	End of this consolidated third quarter (As of December 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	355,140	394,249
Short-term loans payable	2,666	4,918
Income taxes payable	5,267	454
Provision for bonuses	3,392	1,516
Provision for directors' bonuses	82	61
Provision for sales returns	287	260
Asset retirement obligations	20	101
Other	11,144	12,426
<b>Total current liabilities</b>	<b>378,000</b>	<b>413,989</b>
Noncurrent liabilities		
Bonds payable	20,063	20,048
Long-term loans payable	19,223	16,987
Net defined benefit liability	2,042	2,272
Asset retirement obligations	1,142	2,706
Other	19,345	22,820
<b>Total noncurrent liabilities</b>	<b>61,817</b>	<b>64,835</b>
<b>Total liabilities</b>	<b>439,818</b>	<b>478,825</b>
Net assets		
Shareholders' equity		
Capital stock	10,649	10,649
Capital surplus	49,271	49,378
Retained earnings	165,745	167,980
Treasury stock	-15,785	-15,784
<b>Total shareholders' equity</b>	<b>209,881</b>	<b>212,225</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,469	31,794
Revaluation reserve for land	-4,507	-4,507
<b>Total accumulated other comprehensive income</b>	<b>20,961</b>	<b>27,286</b>
Subscription rights to shares	166	162
<b>Total net assets</b>	<b>231,009</b>	<b>239,674</b>
<b>Total liabilities and net assets</b>	<b>670,827</b>	<b>718,499</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)

	Cumulative period for previous consolidated third quarter (From April 1, 2019 to December 31, 2019)	Cumulative period for this consolidated third quarter (From April 1, 2020 to December 31, 2020)
Net sales	968,202	917,175
Cost of sales	881,426	842,460
Gross profit	86,776	74,714
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	34,903	33,134
Provision for bonuses	1,632	1,223
Provision for directors' bonuses	53	61
Retirement benefit expenses	173	175
Welfare expenses	6,069	5,803
Vehicle expenses	824	693
Provision of allowance for doubtful accounts	-59	236
Depreciation	4,078	4,283
Amortization of goodwill	487	314
Rent expenses	5,850	6,247
Taxes and dues	1,598	1,344
Expense before deduction of temporary consumption tax payment	4,290	4,691
Other	13,648	13,206
Total selling, general and administrative expenses	73,550	71,416
Operating income	13,226	3,298
Non-operating income		
Interest income	56	53
Dividend income	1,163	1,176
Commission fee	2,409	2,349
Amortization of negative goodwill	7	-
Equity in earnings of affiliates	64	12
Other	1,350	1,426
Total non-operating income	5,050	5,019
Non-operating expenses		
Interest expenses	22	59
Expenses of real estate rent	193	188
Other	60	556
Total non-operating expenses	276	805
Ordinary income	18,000	7,512

(Unit: million yen)

	Cumulative period for previous consolidated third quarter (From April 1, 2019 to December 31, 2019)	Cumulative period for this consolidated third quarter (From April 1, 2020 to December 31, 2020)
Extraordinary income		
Gain on sales of noncurrent assets	15	14
Gain on sales of investment securities	65	25
Other	15	3
Total extraordinary income	96	42
Extraordinary loss		
Loss on disposal of noncurrent assets	46	75
Impairment loss	107	55
Loss on valuation of investment securities	20	75
Other	66	52
Total extraordinary loss	241	259
Income before income taxes	17,854	7,295
Income taxes-current	5,829	1,816
Income taxes-deferred	154	1,507
Total income taxes	5,983	3,324
Current net income	11,870	3,970
Profit attributable to owners of parent	11,870	3,970

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

(Unit: million yen)

	Cumulative period for previous consolidated third quarter (From April 1, 2019 to December 31, 2019)	Cumulative period for this consolidated third quarter (From April 1, 2020 to December 31, 2020)
Current net income	11,870	3,970
Other comprehensive income		
Valuation difference on available-for-sale securities	4,536	6,323
Share of other comprehensive income of associates accounted for using equity method	47	0
Total other comprehensive income	4,584	6,324
Comprehensive income	16,455	10,295
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	16,455	10,295
Comprehensive income attributable to non- controlling interests	—	—

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

(Notes Concerning Quarterly Consolidated Balance Sheets)

Contingent liability

TOHO PHARMACEUTICAL CO., LTD., our consolidated subsidiary, received an onsite inspection by the Japan Fair Trade Commission on November 27, 2019 for suspected violation of the Antimonopoly Act regarding its bidding to supply ethical pharmaceuticals to Japan Community Health care Organization (JCHO). In addition to that, it was searched by the Special Investigation Office of Tokyo District Public Prosecutors Office and the Japan Fair Trade Commission on October 13, 2020. On December 9, 2020, TOHO PHARMACEUTICAL CO., LTD. and our employee were accused by the Japan Fair Trade Commission and indicted by the Tokyo District Public Prosecutors Office on suspected violation of the Antimonopoly Act.

While our consolidated business performance may eventually be adversely impacted by the outcome of the above incident, it is impossible to reasonably estimate the financial impact at this time.

(Notes Concerning Premise of a Going Business)

Not applicable.

(Notes concerning Material Changes in Shareholders' Equity)

Cumulative period for this consolidated third quarter (from April 1, 2020 to December 31, 2020)

Not applicable.

(Segmental Information)

I Cumulative period for previous consolidated third quarter (from April 1, 2019 to December 31, 2019)

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) (Note 2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales							
(1) Net sales to external customers	895,312	72,027	191	671	968,202	—	968,202
(2) Inter-segment internal net sales or transfers	36,475	188	—	286	36,951	-36,951	—
Total	931,788	72,216	191	958	1,005,153	-36,951	968,202
Segment profit	13,605	1,782	25	-38	15,374	-2,148	13,226

(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.

II Cumulative period for this 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)	SMO (million yen)	Information equipment sales (million yen)	Total (million yen)		
Net Sales								
(1) Net sales to external customers	846,229	68,383	1,758	157	646	917,175	—	917,175
(2) Inter-segment internal net sales or transfers	35,414	3	4,373	—	144	39,935	-39,935	—
Total	881,643	68,387	6,131	157	790	957,110	-39,935	917,175
Segment profit	3,318	1,742	636	-226	-125	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 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.