

# Summary of Consolidated Financial Results of Fiscal Year Ended March 31, 2021

May 14, 2021

Name of Listed Company: TOHO HOLDINGS CO., LTD. Listed: Tokyo Stock Exchange  
 Securities Code Number: 8129 URL: <http://www.tohold.co.jp/en/>  
 Corporate Representative: Atsushi Udoh / President and Representative Director  
 Contact Representative: Makoto Kawamura / Director and General Manager, Corporate Management Division and  
 Corporate Planning and Investor Relations Department  
 TEL: +81-3-6838-2803

Planned Date of General Meeting of Shareholders: June 29, 2021 Planned Date of Dividends Payment: June 9, 2021

Planned Date of Filing of Annual Securities: June 29, 2021

Supplemental explanatory materials for the Financial Results: Available

Financial results briefing: Hold (For institutional investors and analysts)

(Amounts are truncated to the nearest million yen.)

## 1. Consolidated Results of Operations for the March 2021 (from April 1, 2020 to March 31, 2021)

### (1) Consolidated Results of Operations

(Percentages indicate the rate of change compared with the preceding fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY Ended March 2021	1,210,274	-4.2	4,303	-75.5	10,289	-56.6	4,989	-69.3
FY Ended March 2020	1,263,708	3.4	17,590	11.4	23,732	10.6	16,230	17.1

(Note) Comprehensive income: FY Ended March 2021: 8,027 million yen (-44.3%); FY Ended March 2020: 14,414 million yen (26.0%)

	Profit per Share	Profit per Share - Diluted	Return on Equity	Ordinary Income/ Total Assets	Operating Income/ Net Sales
	Yen	Yen	%	%	%
FY Ended March 2021	70.77	64.97	2.1	1.5	0.4
FY Ended March 2020	233.34	208.55	7.3	3.6	1.4

(Reference) Equity in earnings of an affiliate: FY Ended March 2021: 23 million yen; FY Ended March 2020: 55 million yen

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
FY Ended March 2021	683,181	237,405	34.7	3,364.65
FY Ended March 2020	670,827	231,009	34.4	3,273.86

(Reference) Shareholder's equity: FY Ended March 2021: 237,243 million yen; FY Ended March 2020: 230,842 million yen

### (3) Consolidated Cash Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
FY Ended March 2021	8,768	680	-680	88,882
FY Ended March 2020	10,815	-15,664	9,479	80,013

## 2. Payment of Dividends

	Annual Cash Dividend per Share					Total Dividends	Payout Ratio (Consolidated)	Dividends per Net Assets (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY Ended March 2020	—	20.00	—	20.00	40.00	2,815	17.1	1.2
FY Ended March 2021	—	15.00	—	15.00	30.00	2,115	42.4	0.9
FY Ending March 2022 (Projected)	—	15.00	—	15.00	30.00		—	

- Breakdown of cash dividends for the FY ended March 2020: Commemorative dividend: 10yen; Ordinary dividend: 30yen
- The payout ratio for the fiscal year ending March 2022 has not yet been determined, as it is difficult to forecast financial results for the fiscal year at this point.

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

The Consolidated Projected Operations Results during Fiscal Year Ending March 2022 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 period (changes in special subsidiaries accompanying with a change in the scope of consolidation) : N.A.  
 Inclusion —( — ) Exclusion —( — )
- (2) Changes in accounting policies and accounting estimates, and correction and restatement  
 (i) Changes in accounting policies accompanying with 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

(3) Number of shares outstanding (Common stock)

- (i) Number of shares outstanding at the end of fiscal year  
 (Including common stock for treasury)
- (ii) Number of treasury stocks at the end of fiscal year
- (iii) The average number of shares during the fiscal year

FY Ended March 2021	78,270,142	FY Ended March 2020	78,270,142
FY Ended March 2021	7,759,749	FY Ended March 2020	7,759,209
FY Ended March 2021	70,510,695	FY Ended March 2020	69,554,534

(Reference) Summary of Unconsolidated Financial Results

1. Unconsolidated Results of Operations for Fiscal year ended March 2021 (from April 1, 2020 to March 31, 2021)

(1) Unconsolidated Results of Operations (The figures in percentages indicate changes year-on-year.)

	Net Sales		Operating Income		Ordinary Income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY Ended March 2021	11,382	-15.7	4,918	-24.3	6,840	-19.8	10,245	5.4
FY Ended March 2020	13,500	-3.4	6,498	-25.1	8,532	-16.3	9,720	-5.1

	Profit per Share	Profit per Share - Diluted
	yen	yen
FY Ended March 2021	145.29	133.57
FY Ended March 2020	139.74	124.80

(2) Unconsolidated Financial Position

	Total Asset	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	yen
FY Ended March 2021	260,028	160,617	61.7	2,275.25
FY Ended March 2020	242,585	150,349	61.9	2,129.58

(Reference) Shareholder's Equity FY Ended March 2021: 160,455 million yen FY Ended March 2020: 150,183 million yen

※ The Summary of Consolidated Financial Results of Fiscal Year Ended March 31, 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 considers rational at the time of the release of this report, and does not indicate that the Company undertakes to achieve such results. Actual results may differ significantly from the projections above, due to a variety of factors. As for precautions regarding the use of the Performance Projections and the conditions underlying the assumptions for the Performance Projections, refer to Section "1. Summary of Management Results (1) Summary of Management Results for the Current Fiscal Year" on Page 2 of the Attached Document.
- The Company plans to hold a briefing on the financial results for institutional investors and analysts on the web on May 19, 2021. The Company also intends to provide a record of the progress of the session and the outline of the briefing (voice recording), together with the briefing material, on its website promptly after the briefing.

## Contents of Attached Document

1. Summary of Management Results	2
(1) Summary of Management Results for the Current Fiscal Year	2
(2) Summary of Financial Position for the Current Fiscal Year	4
(3) Basic Policy of Profit and Dividend Appropriation for the Current Term and Next Term	5
(4) Business Risks	5
2. State of the Corporate Group	8
3. Business Management Policy	12
4. Basic Idea for Selection of Accounting Standards	12
5. Consolidated Financial Statements Main Note	13
(1) Consolidated Balance Sheets	13
(2) Consolidated Statements of Income and Statements of Comprehensive Income	15
(3) Consolidated Statement of Changes in Shareholders' Equity	18
(4) Consolidated Statements of Cash Flows	20
(5) Notes to Consolidated Financial Statements	22
(Notes Regarding Going Concern Assumption)	22
(Basis of Presenting Consolidated Financial Statements)	22
(Change in Presentation of Consolidated Financial Statements)	24
(Notes to Consolidated Balance Sheets)	24
(Notes to Consolidated Statements of Income)	26
(Notes to Consolidated Statements of Comprehensive Income)	27
(Notes to Consolidated Statements of Changes in Shareholders' Equity)	28
(Notes to Consolidated Statements of Cash Flows)	30
(Segment Information)	30
(Amounts per Share)	35
(Significant Subsequent Events)	35
6. Unconsolidated Financial Statements	36
(1) Balance Sheets	36
(2) Statements of Income	38
(3) Statements of Changes in Shareholders' Equity	40

## 1. Summary of Management Results

### (1) Summary of Management Results for the Current Fiscal Year (Management Results for the Current Fiscal Year)

In the consolidated fiscal year ended March 31, 2021, the prescription pharmaceuticals market continued to face a severe environment due to the impact of measures to curtail medical expenses, such as the NHI drug price revisions in April 2020, and the promotion of the use of generic drugs, in addition to the effects of limited clinical visits by patients due to the spread of COVID-19, which has caused a stagnation of economic activities in Japan and overseas, and the impact of voluntary restraint in business activities under the declaration of a state of emergency. 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." Furthermore, to ensure the safety of the Group employees, their families, customers and other related parties, and to prevent the spread of infection, the Group made efforts to reform work styles by encouraging employees to work at different times or to telework. In addition, the Group distributed the required number of surgical masks for the fiscal year to all employees, including part-time and dispatched employees, and provided 25 million surgical masks to medical professionals and business partners.

Amid growing impact on the management of medical institutions of expanding limited clinic visits by patients who are alert to the risks of infection, we launched online medical examination/dosing guidance system "KAITOS." By providing a safe and secure online environment and connecting patients who wish to receive treatment and medical institutions, we are working together as a group to contribute to maintaining patients' health and improving their QOL.

In the logistics division, the integrated logistics center "TBC DynaBASE" started operation in September 2020 as the only logistics center for prescription pharmaceuticals in Tokyo within the Keihin Truck Terminal, the Tokyo Metropolitan Government's designated wide-area transport base during disaster times. It is the first center in Japan to introduce the world's highest level of automation technology to serve as a distribution base for pharmaceuticals in the event of a disaster, while at the same time realizing joint distribution that contributes to cost efficiency. Furthermore, we worked to rebuild our distribution system by reconstructing "TBC Tokyo" (Shinagawa-ku, Tokyo), which used to be the distribution center for prescription pharmaceuticals, and by transferring "WILL Heiwajima" (Ota-ku, Tokyo), which handles reagents, to the new facility. In March 2021, we reopened the facility as "TBC WILL Shinagawa."

The Group's highly-functional logistics system, emergency response, and the results of the outsourced business so far have been 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 fiscal year ended March 31, 2021 recorded 1,210,274 million yen for net sales (a decrease of 4.2% on a year-on-year basis), 4,303 million yen for operating income (a decrease of 75.5% on a year-on-year basis), 10,289 million yen for ordinary income (a decrease of 56.6% on a year-on-year basis), and 4,989 million yen for profit attributable to owners of parent (a decrease of 69.3% on a year-on-year basis).

On December 9, 2020, TOHO PHARMACEUTICAL CO., LTD., our consolidated subsidiary, and one of our employees were accused by the Japan Fair Trade Commission and indicted by the Tokyo District Public Prosecutors Office on suspicion of violating the Antimonopoly Act in connection with bidding for prescription pharmaceuticals ordered by Japan Community Health care Organization (JCHO). The Group has taken this incident seriously and is making every effort to ensure thorough compliance and prevention of recurrence. The entire Group will promote sound and transparent business activities to restore trust.

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 in accordance with the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions / Pharmacies. In addition, we 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, online medical examination/dosing guidance system "KAITOS," Initial Examination Reservation Service, and medical appointment reservation systems. Furthermore, we 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. On the other hand, due to the significant effects of limited clinic visits by patients who are alert on the risks of COVID-19, in addition to the price competition among wholesalers, the pharmaceutical wholesaling business posted net sales of 1,162,256 million yen (a decrease of 4.3% on a year-on-year basis) and segment income (operating income) of 3,970

million yen (a decrease of 78.0% on a year-on-year basis) for the consolidated fiscal year under review.

In the dispensing pharmacy business, we took thorough measures to prevent infectious diseases at our stores, and actively worked to train family pharmacists and enhance product sales in order to provide safe and high-quality medical services. In addition to responding to the revision of dispensing fees, we worked to improve profitability by optimizing inventories through the use of customer support systems such as the centralized administration system for pharmacy operations “Mizar,” standardizing and streamlining store operations, and overhauling expenses. On the other hand, in reaction to a decrease in the number of prescriptions required due to the effects of limited clinic visits by patients, net sales were 91,098 million yen (a decrease of 5.2% on a year-on-year basis), and segment income (operating income) was 2,688 million yen (a decrease of 0.4% on a year-on-year basis).

In the pharmaceutical manufacturing and sales business, the Group has been engaged in stable supply of high-quality and high value-added pharmaceuticals by strictly monitoring the quality of products based on its own verification system. In addition, we continued to expand our product lineup by launching 12 ingredients and 36 products of new generic drugs during the consolidated fiscal year under review and by obtaining marketing approval for 2 ingredients and 5 products. As of the end of March 2021, the product lineup was composed of 83 ingredients and 202 products. As a result, the pharmaceutical manufacturing and sales business posted net sales of 8,090 million yen and segment income (operating income) of 729 million yen.

In the SMO operations, net sales amounted to 235 million yen (a decrease of 8.2% on a year-on-year basis) and segment loss (operating loss) was 140 million yen. In the information equipment sales operations, net sales totaled 790 million yen (a decrease of 45.3% on a year-on-year basis), with segment loss (operating loss) of 540 million yen.

(Note) Segment sales include inter-segment transactions.

#### (Projections for the Next Fiscal Year)

The consolidated projected operations results during fiscal year ending March 2022 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) Summary of Financial Position for the Current Fiscal Year

### ① State of assets, liabilities, and net assets

#### (i) Assets

Consolidated current assets as of the end of March 2021 increased 1.9% from the end of the previous consolidated fiscal year to 486,911 million yen, due mainly to an increase in cash and deposits of 8,866 million yen.

Non-current assets as of the end of March 2021 increased 1.8% from the end of the previous year to 196,269 million yen, due mainly to an increase in property, plant and equipment of 1,438 million yen, and an increase in investments securities of 2,198 million yen.

As a result, consolidated total assets as of the end of March 2021 increased 1.8% from the end of the previous consolidated fiscal year to 683,181 million yen.

#### (ii) Liabilities

Current liabilities decreased 0.3 % from the end of the previous consolidated fiscal year to 376,717 million yen, owing to an increase in notes and accounts payable-trade of 1,828 million yen, and a decrease in income taxes payable of 3,231 million yen.

Noncurrent liabilities increased 11.7 % from the end of the previous consolidated fiscal year to 69,058 million yen with an increase in asset retirement obligations of 1,568 million yen, an increase in deferred tax liabilities of 1,812 million yen, and an increase in loss on antimonopoly act of 4,213 million yen.

As a result, total liabilities increased 1.4% year-on-year to 445,775 million yen.

#### (iii) Net Assets

Total net assets increased 2.8% from the end of the previous consolidated fiscal year to 237,405 million yen, with an increase in retained earnings of 3,126 million yen, and an increase in valuation difference on available-for-sale securities of 3,037 million yen.

### ② Cash Flows

Cash and cash equivalents (hereinafter referred to as “cash”) during this consolidated fiscal year increased by 8,869 million yen from the end of the previous consolidated fiscal year. As a result, the balance at the end of this consolidated fiscal year totaled 88,882 million yen. The following describes the three categories of consolidated cash positions during this consolidated fiscal year, as well as the factors responsible.

#### (i) Cash Flows from Operating Activities

Cash flow from operating activities was an inflow of 8,768 million yen (a decrease of 2,047 million yen on a year-on-year basis). Although inflow was secured by some positive factors such as net profit before income taxes of 10,273 million yen, depreciation of 6,424 million yen, a decrease in notes and accounts receivables-trade of 1,023 million yen, and a decrease in inventories of 1,143 million yen, these were somewhat offset by negative factors including a decrease in accrued consumption taxes of 2,479 million yen, and income taxes paid of 6,731 million yen.

#### (ii) Cash Flows from Investing Activities

Cash flow from investing activities was an inflow of 680 million yen (an increase of 16,345 million yen from the previous fiscal year). Although inflow was secured by some positive factors such as proceeds from sales and redemption of investment securities of 7,424 million yen, these were somewhat offset by negative factors including purchases of property, plant and equipment of 4,141 million yen, and purchase of intangible assets of 1,583 million yen.

#### (iii) Cash Flows from Financing Activities

Cash flow from financing activities was an outflow of 680 million yen (a decrease of 10,160 million yen from the previous fiscal year). Positive factor, proceeds from long-term loans payable of 2,800 million yen, was somewhat offset by negative factors including repayment of long-term loans payable of 1,724 million yen, and dividends paid of 2,468 million yen.

(Reference) Trends in key indicators of cash flows

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Shareholder's Equity Ratio (%)	31.5	32.1	32.2	34.4	34.7
Shareholder's Equity Ratio at Market Value (%)	26.8	26.6	28.4	23.8	21.0
Ratio of cash flows to interest- bearing debts (%)	132.2	42.1	254.9	394.5	523.2
Interest Coverage Ratio (times)	83.0	423.3	179.6	198.2	107.1

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio at market value: Total market value of stock / Total assets

Ratio of cash flows to interest-bearing debts: Interest-bearing debts / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / Interest paid

1. All indicators are calculated using consolidated financial data.
2. The total market value of stock is calculated by multiplying the closing price of stock at the end of the fiscal year by the number of shares outstanding at the end of the fiscal year (after deducting treasury shares).
3. Cash flows from operating activities is the "Cash Flows from Operating Activities" in the Consolidated Statements of Cash Flows. Interest-bearing debt is all the interest-bearing debts in the Consolidated Balance Sheets. Interest paid is the interest payments in the Statements of Consolidated Cash Flows.

(3) Basic Policy of Profit and Dividend Appropriation for the Current Term and Next Term

The Company believes that returning earnings to its shareholders is one of its most important management tasks and recognizes its obligation to improve its earnings per share. With respect to the allocation of earnings, we intend to maintain the basic dividend policy of paying stable dividends. We also seek to retain adequate earnings to augment the Company's earnings structure and to provide for future market fluctuations. The Company decided to pay an interim dividend of 15 yen per share and a year-end dividend of 15 yen per share for the fiscal year ended March 31, 2021, with an annual dividend per share totaling 30 yen. We plan to pay an interim dividend of 15 yen per share and a year-end dividend of 15 yen per share for the next fiscal year, with an annual dividend per share totaling 30 yen.

(4) Business Risks

The major risks relevant to business operations and other matters of the Company and the Group are described below. Forward-looking statements in this report were determined by the Company at the end of the consolidated fiscal year ended March 31, 2021, and they do not cover all the risks of the businesses and other aspects of the Company and Group.

1. Legal Regulations, etc.

The Group's core businesses and products are sold after obtaining the necessary license, registration, designation and permission in accordance with applicable laws and regulations including the Act on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices (Act on Pharmaceuticals and Medical Devices.) The Group established the Code of Ethics in 2003 as a code of conduct to be observed by officers and employees in order to comply with these regulations. In 2017, the Group revised the Code of Ethics, positioning it as an important related law to comply with the Antimonopoly Act and the Pharmaceuticals and Medical Devices Act, and making all employees fully aware of the implementation of the code. Moreover, the Company restructured the organization of pharmaceutical affairs within the Group as of May 1, 2020. Pharmaceutical Affairs Headquarters was newly established within the Company to manage the pharmaceutical affairs of the Group and further strengthen the governance, along with the Pharmaceutical Affairs Department (the name was changed to Medical Information Department) of TOHO PHARMACEUTICAL, our subsidiary engaged in the pharmaceutical wholesaling business. However, on December 9, 2020, TOHO PHARMACEUTICAL, our consolidated subsidiary, and one of our employees were accused by the Japan Fair Trade Commission and indicted by the Tokyo District Public Prosecutors Office on suspicion of violating the Antimonopoly Act in connection with bidding for prescription pharmaceuticals ordered by JCHO in 2016 and 2018. Consequently, there is a possibility that penalties, surcharges and forfeit will be paid in the future; therefore, we have estimated possible losses in the future and posted the amount as a loss associated with the Antimonopoly Act. In addition, based on the results of the prosecution mentioned above, including future judgments and administrative dispositions, there is a possibility that transactions with TOHO PHARMACEUTICAL will be restricted for a certain period by local governments and other customers, and this may affect the Group's business results.

## 2. Ramifications of Revision of the NHI Drug Price Standards and Reform of the Health Insurance Regime

The prescription pharmaceuticals that constitute the Toho Holdings Group's primary line of products are listed in the National Health Insurance Drug Price Standards. The standards provide for the scope of use of pharmaceuticals available under the coverage of health insurance and the prices chargeable for pharmaceuticals administered by medical institutions. This means that basically the NHI Drug Price Standards act as ceilings for the sale prices of ethical pharmaceuticals.

The Ministry of Health, Labor and Welfare carries out a survey on the prevailing prices of prescription pharmaceuticals in the marketplace ("drug price survey" hereinafter) and revises the NHI Drug Price Standards once every two years to reflect its findings. Under the fundamental reforms of the drug pricing system in April 2018, the drug price survey and NHI drug price revisions during an interim period have been conducted since April 2021. Accordingly, expected revisions to the NHI Drug Price Standards and the health insurance system reforms could impact the Group's earnings.

## 3. Unique Business Practices

In the prescription pharmaceutical wholesale industry, which the Group is a part of through its main business, there is a unique form of transactions that has continued from long ago in which pharmaceutical products are delivered to medical institutions and dispensing pharmacies while their prices have not yet been decided, and prices are negotiated later. This practice stems from the understanding that pharmaceutical products are life-related products so deliveries must not be delayed. The government and private sector have been working together to improve this distribution practice, but in cases where negotiations do not go smoothly, the Group books a reasonable estimate of the final price as sales. Cases in which price negotiations drag on for a long period or instances in which the decided prices are different from initial estimates could affect the Group's financial performance.

## 4. Sales Suspensions, Product Recalls, Etc.

Cases in which sales must be suspended for products handled by the Group or the products need to be recalled or other steps need to be taken owing to unexpected side effects, contamination, etc. could impact the Group's earnings.

## 5. Dispensing Operations

If any error occurs in dispensing operations due to the characteristics of prescription pharmaceuticals, this may damage human bodies. If a dispensing error occurs due to human error, the pharmacy concerned may not only face claims for substantial damages, but also impair credits within existing customers and the society. In this case, the Group's financial results may be affected according to severity of the error. Ordinances of the Ministry of Health, Labour and Welfare strictly regulates the number of pharmacists stationed in pharmacies. If we are unable to secure the necessary number of pharmacists, it may affect the Group's earnings.

Furthermore, the dispensing pharmacies business generates income mainly from the sale of prescription pharmaceuticals based on NHI drug prices as well as dispensing fees and pharmaceutical management fees based on dispensing fee points set forth in the Health Insurance Act. As such, the Group's financial performance may be impacted by revisions of NHI drug prices or dispensing fees; and reform of the health insurance regime depending on the contents of the reform.

## 6. Consumption Tax

In the dispensing pharmacy business, while dispensing sales are tax-exempt under the Consumption Tax Act, purchases of pharmaceuticals and other materials are taxed under the said act. As such, the dispensing pharmacies business bears the final burden of the consumption tax, and it books the consumption tax as an expense. Therefore, if the consumption tax is revised in the future and NHI drug prices are not revised in accordance with the consumption tax change, then that may affect the Group's earnings.

## 7. Pharmaceutical manufacturing and sales business

The pharmaceutical manufacturing and sales business manufactures and sells generic drugs, and manufactures injection drugs on consignment. We strictly monitor the quality of our products based on our own verification system in the process from procurement of raw materials and other materials to each production process and shipment. However, the occurrence of unexpected adverse reactions or quality/safety problems in the procurement and manufacturing processes that lead to discontinuation of sales or manufacturing may have an impact on the Group's business results.

In addition, there are products that depend on specific suppliers for their manufacturing or raw materials, which



may be affected by stagnation or delays in the procurement and manufacturing processes.

## 8. Impairment Losses

Under impairment accounting for fixed assets, the book value of fixed assets is reduced up to the recoverable amount, and the reduction amount is booked as an impairment loss in the same fiscal year. In the case where the profitability of fixed assets owned by the Group decreases or their market value falls sharply, for example, the application of impairment accounting on fixed assets may make it necessary to book an extraordinary loss, and this may affect the Group's financial performance and financial position.

Furthermore, with respect to investment securities with no market value, if the amount of net asset value per share is less than 50% compared with the acquisition value, and it cannot be judged that there is a possibility of a recovery to the acquisition value within a reasonable period, the amount of such decrease shall be treated as a loss on valuation of investment securities, and shall be treated as a loss for the period. Therefore, if the business plans of the stock-issuing companies held by the Company are not achieved due to changes in the market environment, status of product development, status of competitors, etc., and it is judged that there is no possibility of a recovery in net assets per share, the Group's business results and financial position may be affected.

## 9. System Trouble

The Group depends on computer systems and their networks to conduct its operations. The mission-critical systems and peripheral systems have been fully duplicated to create a backup system, although the occurrence of major system problems may affect the Group's earnings.

## 10. Natural Disasters / Pandemics

As a precaution against natural disasters, pandemics and other emergencies, the Group has established crisis management frameworks, prepared a complete copy of its mission-critical systems together with its peripheral systems, and automated logistics centers. In addition, we have formulated a disaster response plan that clarifies risks associated with climate change and other matters for each area and summarizes issues and countermeasures. However, a disaster or a pandemic larger than anticipated could interfere with the Group's operations in the form of the closure of offices, logistics centers and retail shops, and may have a negative impact on the Group's earnings depending on the degree of decreased net sales and restoration duration/costs. In particular, with regard to the impact of the spread of COVID-19, a decrease in the number of prescriptions has been observed recently due to the limited clinic visits by patients who are alter to risk of infection, and this may also have an impact on sales and distribution functions. The impact of the pandemic, including when it will subside, is difficult to forecast as of this moment, and may have a significant impact on the Group's business activities and performance.

## 11. Control of Personal Information

The Group is handling a substantial amount of personal data concerning health professionals and patients. Considering the importance of protection of personal data, the Group complies with the Act on the Protection of Personal Information and other regulations, and has built a management system to handle personal data in accordance with the Code of Ethical Practice of Kyoso Mirai Group and the Personal Information Handling Regulations stipulated by the Company. However, with respect to the personal data on health professionals and patients, if there is any irregularity in handling them, the Group may face more severe impairment of credit and claims for compensation compared with leakage of general personal information, due to its value as an asset and high degree of confidentiality.

## 2. State of Corporate Group

For the purposes hereof, the Group (TOHO HOLDINGS CO., LTD. and its associated companies) or simply the "Group" consists of TOHO HOLDINGS CO., LTD. or simply the "Company," 69 subsidiaries, and 10 affiliates. The Group's primary business operations and their positions, and their relationships with the segments classified by types of business operations are described below.

In addition, the following 5 divisions are the same as the categories of the segments described in "Segment Information".

### (1) Pharmaceutical Wholesaling Business

The Company's 4 consolidated subsidiaries (TOHO PHARMACEUTICAL CO., LTD., Kyushu Toho Co., Ltd., SAYWELL inc., KOYO Co., Ltd.), 7 unconsolidated subsidiaries and 2 affiliates (SAKAI MEDICINES CO., LTD and other one affiliate) purchase pharmaceuticals and health-related products, mainly from pharmaceutical

manufacturers, for distribution primarily to hospitals, clinics, and dispensing pharmacies.

As for the products purchased from pharmaceutical manufacturers, etc., the consolidated subsidiaries mentioned above supply these products to 35 subsidiaries (PHARMA DAIWA, J.MIRAIMEDICAL, Shimizu Pharmacy, PHARMA MIRAI INC., SEIKO MEDICAL BRAIN, VEGA PHARMA, Cure co., Ltd., AOBADO, KOSEI, and other 26 subsidiaries) and 4 affiliates.

Toho System Service Co., Ltd. (a consolidated subsidiary) is mainly engaged in mission-critical system operations such as data processing for the Kyoso Mirai Group (the Company, affiliates which are mainly engaged in wholesale sales of pharmaceuticals, and companies that have a business tie-up with the Group). SQUARE·ONE Co., Ltd. (a consolidated subsidiary) is engaged in real estate agency business.

#### (2) Dispensing Pharmacy Business

The Company's 9 consolidated subsidiaries (PHARMA DAIWA, J.MIRAIMEDICAL, Shimizu Pharmacy, PHARMA MIRAI INC., SEIKO MEDICAL BRAIN, VEGA PHARMA, Cure co., Ltd., AOBADO, and KOSEI), 26 unconsolidated subsidiaries and 4 affiliates are primarily engaged in health insurance dispensing pharmacies business.

PharmaCluster Co., Ltd (a consolidated subsidiary) is engaged in the management of the dispensing pharmacies business.

#### (3) Pharmaceutical Manufacturing and Sales Business

KYOSOMIRAI PHARMA CO., LTD. (our consolidated subsidiary) manufactures and sells generic drugs and produces injection drugs on consignment.

Generic drugs are mainly supplied to TOHO PHARMACEUTICAL CO., LTD. (our consolidated subsidiary)

#### (4) Site Management Organization (SMO) Business

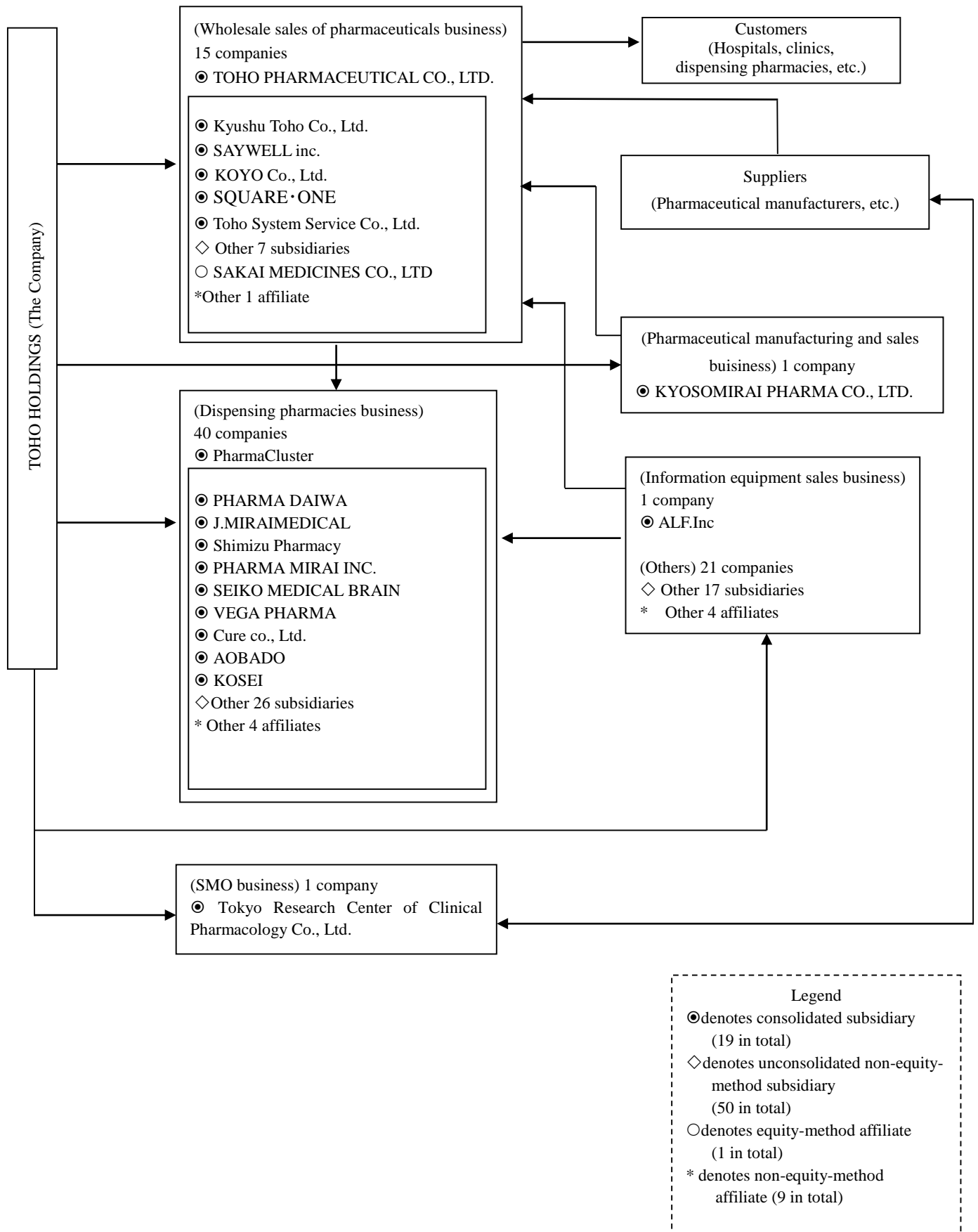
Tokyo Research Center of Clinical Pharmacology Co., Ltd. (a consolidated subsidiary) is engaged in support of SMO (Site Management Organization) operations.

#### (5) Information Equipment Sales Business

ALF.Inc (a consolidated subsidiary) is engaged in manufacture and sale of information processing equipment.

Other companies (17 unconsolidated subsidiaries and 4 affiliates) are engaged in operations related to the Company.

Illustrated below is a structure of business relationships between and among the Company and its associated companies.



[State of Associated Companies]

Name	Location	Capital (Million Yen)	Main Business Description	The Company's Voting Ownership (%)	Relationship with the Company
(Consolidated Subsidiaries) TOHO PHARMACEUTICAL CO., LTD.	Setagaya-ku, Tokyo	300	Pharmaceutical wholesaling	100.00	Management guidance and real estate rent by the Company. Concurrently hold on the director. Financial support from the Company.
Kyushu Toho Co., Ltd.	Higashi-ku, Fukuoka City, Fukuoka	522	Pharmaceutical wholesaling	100.00 (100.00)	Pharmaceuticals supplied by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Concurrently hold on the director.
SAYWELL inc.	Nishi-ku, Hiroshima City, Hiroshima	95	Pharmaceutical wholesaling	100.00 (100.00)	Pharmaceuticals supplied by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Concurrently hold on the director.
KOYO Co., Ltd.	Takamatsu City, Kagawa	72	Pharmaceutical wholesaling	100.00 (100.00)	Pharmaceuticals supplied by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Concurrently hold on the director.
SQUARE·ONE Co., Ltd.	Setagaya-ku, Tokyo	100	Real estate agency	100.00	Financial support from the Company.
Toho System Service Co., Ltd.	Setagaya-ku, Tokyo	10	Information processing	100.00	Data processing and software creation for the Group. Distribution of software to medical institutions jointly with the Group. Concurrently hold on the director.
PharmaCluster Co.,Ltd	Chiyoda-ku, Tokyo	10	Management of dispensing pharmacies business companies	100.00	Management guidance. Concurrently hold on the director. Financial support from the Company.
PHARMA DAIWA	Minami-ku, Kumamoto City, Kumamoto	100	Operation of dispensing pharmacies	100.00 (100.00)	Pharmaceuticals supplied by a consolidated subsidiary.
J.MIRAIMEDICAL	Miyakojima-ku Osaka City, Osaka	100	Operation of dispensing pharmacies	100.00 (100.00)	Pharmaceuticals supplied by a consolidated subsidiary. Concurrently hold on the director.
Shimizu Pharmacy	Hino City, Tokyo	67	Operation of dispensing pharmacies	100.00	Pharmaceuticals supplied by a consolidated subsidiary.
PHARMA MIRAI INC.	Setagaya-ku, Tokyo	50	Operation of dispensing pharmacies and small-lot wholesaling of pharmaceuticals	100.00 (100.00)	Pharmaceuticals supplied by a consolidated subsidiary.
SEIKO MEDICAL BRAIN	Higashi-ku, Fukuoka City, Fukuoka	30	Operation of dispensing pharmacies	100.00	Pharmaceuticals supplied by a consolidated subsidiary.
VEGA PHARMA	Fujiidera City, Osaka	10	Operation of dispensing pharmacies	100.00 (100.00)	Pharmaceuticals supplied by a consolidated subsidiary.
Cure co., Ltd.	Nagaoka City, Niigata	5	Operation of dispensing pharmacies	100.00 (100.00)	Pharmaceuticals supplied by a consolidated subsidiary.
AOBADO	Higashiumiyos hi-ku, Osaka City, Osaka	3	Operation of dispensing pharmacies	100.00	Pharmaceuticals supplied by a consolidated subsidiary.
KOSEI	Sumiyoshi-ku, Osaka City, Osaka	3	Operation of dispensing pharmacies	100.00	Pharmaceuticals supplied by a consolidated subsidiary.
KYOSOMIRAI PHARMA CO., LTD.	Shinagawa-ku, Tokyo	199	Pharmaceutical manufacturing and sales	100.00	Generic drugs supplied to TOHO PHARMACEUTICAL. Concurrently hold on the director.
Tokyo Research Center of Clinical Pharmacology Co., Ltd.	Shinjuku-ku, Tokyo	401	Site management organization	100.00	Financial support from the Company.
ALF.Inc	Setagaya-ku, Tokyo	90	Manufacture and marketing of information processing equipment	92.32 (0.83)	Distributions of the Group's customer support systems. Concurrently hold on the director. Financial support from the Company.
(Equity-Method Affiliates) SAKAI MEDICINES CO., LTD	Mitaka City, Tokyo	60	Pharmaceutical wholesaling	35.00	Pharmaceuticals supplied by TOHO PHARMACEUTICAL CO., LTD., a consolidated subsidiary. Concurrently hold on the director.

- (Note) 1. The indirect ownership % is disclosed in the ( ) of “the Company’s Voting Ownership %”.
2. No subsidiaries and affiliates said above submit registration statements or annual securities reports.
3. TOHO PHARMACEUTICAL CO., LTD. is a specified subsidiary.
4. The subsidiaries of which net sales (excluding internal sales to consolidated companies) account for more than 10% of total consolidated sales are TOHO PHARMACEUTICAL CO., LTD. and SAYWELL inc.

Major financial result information

(i) TOHO PHARMACEUTICAL CO., LTD.	①Net sales	1,154,284 million yen
	②Ordinary income	5,986 million yen
	③Profit	721 million yen
	④Net assets	60,783 million yen
	⑤Total assets	451,550 million yen
(ii) SAYWELL inc.	①Net sales	144,997 million yen
	②Ordinary income	2,684 million yen
	③Profit	1,768 million yen
	④Net assets	33,109 million yen
	⑤Total assets	69,954 million yen

### 3. Business Management Policy

Setting “Total Commitment to Good Health” as our corporate slogan and under the mission statement, “Working in harmony with society and customers, and jointly creating new value through the provision of original services, thereby contributing to the improvement of medical services for, and health of, people around the world”, the Group always places ultimate priority on patients, makes efforts to create customer value in order to increase customer satisfaction, and aims to improve corporate value and establish a corporate brand in the market.

In Japan, the government is currently moving ahead with various measures to curtail medical expenses such as introducing the interim-period NHI drug price revisions, aiming to develop and maintain sustainable social security systems amidst an extending healthy life expectancy, a super-aging society, and the declining total population. In addition to the issuance of the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies and the Guidelines on Ethical Drug Detailing Activities, the revision of Pharmaceutical and Medical Devices Act is to be executed in a phased manner. We are required to take action corresponding to the effects of these guidelines and system reforms.

The rapid spread of COVID-19 has transformed people’s lifestyles, and rebuilding a healthcare delivery system corresponding to “new routines” is an urgent issue.

As seen above, the environment surrounding the healthcare and pharmaceuticals industries has been changing drastically. Under these circumstances, the Group will, as a corporate group engaged in the areas of medical care, healthcare, and nursing care, respond quickly and appropriately to the rapidly changing environment, and anticipate such rapid environmental changes and challenges to make a contribution to extending the healthy life expectancy of men and women in Japan, and to establishing and maintaining sustainable social security systems.

As a measure to improve profitability over the medium term, in the pharmaceutical wholesaling business, the Company will make further efforts with an eye on a digital society in order to develop and propose customer support systems that improve convenience for patients, medical institutions and specialists who are engaged in home medical and nursing care. In addition, we will strengthen cooperation with the Kyoso Mirai Group in Pharmacy, in which more than 20,000 dispensing pharmacies participate, and take on the challenge of new businesses such as the distribution of biopharmaceuticals and regenerative medicine products for clinical trials based on the TBC DynaBASE.

In the dispensing pharmacy business, the Company will enhance patient services by strengthening the online medical dosing guidance system and active use of SNS to support patient adherence. At the same time, we will enhance product sales to strengthen our capability as pharmacies that support people’s health, and secure new sources of earnings. We will also maximize added value in our dispensing pharmacy business, by building a function corresponding to the revision of dispensing fees in each store, by providing services coherently linked to community medical care, and by training pharmacists with advanced knowledge of pharmaceutical management, in order to achieve our missions of being pharmacies focused on community-based services as well as pharmacies operating in closer coordination with specialized medical institutions.

In the pharmaceutical manufacturing and sales business, the Company will continue to expand its product lineup, including the launch of new products under its own brand, and respond to the trust of patients and medical institutions by stably providing generic drugs that guarantee quality through independent verification.

Furthermore, we will work to reduce the environmental burden as we strive to realize a sustainable society through our business activities, such as optimizing delivery frequency and joint distribution. We also foster a diversified business culture by utilizing a wide variety of human resources regardless of gender, nationality, etc. We will promote ESG management by further strengthening governance in order to conduct sound business activities in compliance with relevant laws and regulations. Keenly aware of the public nature of our business as a medical services and healthcare company, and our mission as part of the social infrastructure, we will seek to supply safe and secure pharmaceuticals by reviewing our functions from a business continuity perspective, and making the investments necessary to ensure a stable pharmaceutical supply during disasters, pandemics etc., supported by stakeholders’ trust and cooperation.

Through the implementation of the above-mentioned measures, we will strive to become a corporate group relied upon and continuously supported by all stakeholders including patients, customers, local communities, shareholders and employees.

### 4. Basic Idea for Selection of Accounting Standards

In order to ensure comparability between companies over time, the Group prepares its consolidated financial statements in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (excluding Chapters 7 and 8) (Ordinance of the Ministry of Finance No. 28 of 1976).

The Group will appropriately apply international accounting standards, while taking domestic and overseas situations into account.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Unit: million yen)

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	84,219	93,086
Notes and accounts receivable-trade	285,548	285,579
Securities	10	-
Merchandies and finished goods	75,679	76,208
Raw materials and supplies	-	180
Purchase rebates receivable	13,223	12,795
Others current assets	19,614	19,526
Allowance for doubtful accounts	-337	-464
<b>Total current assets</b>	<b>477,958</b>	<b>486,911</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	32,418	37,236
Machinery, equipment and vehicles, net	8	326
Furniture and fixtures, net	6,345	14,442
Land	43,015	44,101
Leased assets, net	3,669	1,310
Construction in progress	10,943	419
<b>Total property, plant and equipment</b>	<b>96,399</b>	<b>97,837</b>
Intangible assets		
Goodwill	760	388
Others	3,843	4,722
<b>Total intangible assets</b>	<b>4,604</b>	<b>5,110</b>
Investments and other assets		
Investment securities	80,351	82,550
Long-term loans receivable	2,460	2,530
Deferred tax assets	1,876	1,627
Other assets	9,593	8,513
Allowance for doubtful accounts	-2,416	-1,899
<b>Total investments and other assets</b>	<b>91,865</b>	<b>93,321</b>
<b>Total non-current assets</b>	<b>192,869</b>	<b>196,269</b>
<b>Total assets</b>	<b>670,827</b>	<b>683,181</b>

(Unit: million yen)

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	355,140	356,968
Short-term loans payable	1,300	210
Current portion of long-term loans payable	1,366	2,666
Lease obligations	1,247	756
Income taxes payable	5,267	2,035
Accrued expenses	2,349	2,365
Provision for bonuses	3,392	3,136
Provision for directors' bonuses	82	82
Provision for sales returns	287	227
Asset retirement obligations	20	51
Other current liabilities	7,547	8,217
<b>Total current liabilities</b>	<b>378,000</b>	<b>376,717</b>
<b>Noncurrent liabilities</b>		
Bonds payable	20,063	20,043
Long-term loans payable	19,223	19,007
Lease obligations	1,544	1,219
Deferred tax liabilities	16,094	17,906
Deferred tax liabilities for land revaluation	788	757
Liability for retirement benefits	2,042	2,294
Asset retirement obligations	1,142	2,711
Provision for loss on Antimonopoly Act	-	4,213
Other long-term liabilities	917	904
<b>Total long-term liabilities</b>	<b>61,817</b>	<b>69,058</b>
<b>Total liabilities</b>	<b>439,818</b>	<b>445,775</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,649	10,649
Capital surplus	49,271	49,378
Retained earnings	165,745	168,872
Treasury stock	-15,785	-15,784
<b>Total shareholders' equity</b>	<b>209,881</b>	<b>213,117</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale	25,469	28,506
Revaluation reserve for land	-4,507	-4,380
<b>Total accumulated other comprehensive income</b>	<b>20,961</b>	<b>24,125</b>
Stock subscription rights	166	162
<b>Total net assets</b>	<b>231,009</b>	<b>237,405</b>
<b>Total liabilities and net assets</b>	<b>670,827</b>	<b>683,181</b>



(2) Consolidated Statements of Income and Statements of Comprehensive Income  
Consolidated Statements of Income

(Unit: million yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Net sales	1,263,708	1,210,274
Cost of sales	1,148,354	1,110,961
Gross profit	115,354	99,312
Provision for sales returns	-61	-60
Gross profit-net	115,415	99,372
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	45,132	42,992
Provision for bonuses	3,372	2,820
Provision for bonuses for directors	82	82
Retirement benefits expense	221	229
Welfare expenses	8,067	7,784
Vehicle expenses	1,076	923
Provision of allowance for doubtful accounts	61	77
Depreciation	5,198	5,964
Amortization of goodwill	641	372
Rent expenses	7,893	8,289
Taxes and dues	2,079	1,857
Non-deductible temporary paid consumption tax expense	5,797	6,098
Others	18,202	17,574
Total selling, general and administrative expenses	97,825	95,069
Operating income	17,590	4,303
Non-operating income		
Interest income	83	75
Dividend income	1,386	1,407
Commission fee	3,213	3,097
Rent expenses on real estate	839	838
Amortization of negative goodwill	7	-
Share of profit of entities accounted for using equity method	55	23
Others	975	1,521
Total non-operating income	6,560	6,963
Non-operating expenses		
Interest expense	30	79
Commitment fee	15	13
Rental expenses on real estate	256	249
Provision of allowance for doubtful accounts	-	240
Others	114	393
Total non-operating expenses	418	977
Ordinary income	23,732	10,289

(Unit: million yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Extraordinary income		
Gain on sales of non-current assets	*1 17	*1 84
Gain on sales of investment securities	1,282	4,836
Others	25	3
Total extraordinary income	1,325	4,923
Extraordinary losses		
Loss on disposal of non-current assets	*2 79	*2 165
Impairment loss	*3 299	*3 197
Provision for loss on Antimonopoly Act	-	*4 4,213
Others	433	363
Total extraordinary losses	812	4,939
Profit before income taxes	24,246	10,273
Income taxes - current	8,594	4,732
Income taxes - deferred	-577	551
Total income taxes	8,016	5,283
Profit	16,230	4,989
Profit attributable to owners of parent	16,230	4,989

## Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Profit	16,230	4,989
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,838	3,019
Share of other comprehensive income of entities accounted for using equity method	22	17
Total other comprehensive income	*1 -1,816	*1 3,037
Comprehensive income	14,414	8,027
Total comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	14,414	8,027
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Shareholders' Equity  
 Previous fiscal year (From April 1, 2019 to March 31, 2020)

(Unit: million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the beginning of the period	10,649	48,566	151,943	-20,257	190,902
Changes during period					
Dividends of surplus			-2,427		-2,427
Profit attributable to owners of parent			16,230		16,230
Purchase of treasury stock				-2,822	-2,822
Disposal of treasury stock		704		7,294	7,998
Change of scope of consolidation		—	—		—
Reversal of revaluation reserve for land			—		—
Net changes in items other than shareholders' equity					
Total changes during period	—	704	13,802	4,471	18,978
Balance at the end of period	10,649	49,271	165,745	-15,785	209,881

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income		
Balance at the beginning of the period	27,285	-4,507	22,777	168	213,848
Changes during period					
Dividends of surplus					-2,427
Profit attributable to owners of parent					16,230
Purchase of treasury stock					-2,822
Disposal of treasury stock					7,998
Change of scope of consolidation					—
Reversal of revaluation reserve for land					—
Net changes in items other than shareholders' equity	-1,816	—	-1,816	-2	-1,818
Total changes during period	-1,816	—	-1,816	-2	17,160
Balance at the end of period	25,469	-4,507	20,961	166	231,009

Current fiscal year (From April 1, 2020 to March 31, 2021)

(Unit: million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the beginning of the period	10,649	49,271	165,745	-15,785	209,881
Changes during period					
Dividends of surplus			-2,468		-2,468
Profit attributable to owners of parent			4,989		4,989
Purchase of treasury stock				-2	-2
Disposal of treasury stock		-0		3	3
Change of scope of consolidation		108	731		840
Reversal of revaluation reserve for land			-126		-126
Net changes in items other than shareholders' equity					
Total changes during period	—	107	3,126	1	3,236
Balance at the end of period	10,649	49,378	168,872	-15,784	213,117

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income		
Balance at the beginning of the period	25,469	-4,507	20,961	166	231,009
Changes during period					
Dividends of surplus					-2,468
Profit attributable to owners of parent					4,989
Purchase of treasury stock					-2
Disposal of treasury stock					3
Change of scope of consolidation					840
Reversal of revaluation reserve for land					-126
Net changes in items other than shareholders' equity	3,037	126	3,163	-3	3,160
Total changes during period	3,037	126	3,163	-3	6,396
Balance at the end of period	28,506	-4,380	24,125	162	237,405

## (4) Consolidated Statements of Cash Flows

(Unit: million yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
<b>Cash flows from operating activities</b>		
Profit before income taxes	24,246	10,273
Depreciation	5,198	6,424
Impairment loss	299	197
Amortization of goodwill	641	372
Amortization of negative goodwill	-7	-
Increase (decrease) in retirement benefit liability	55	71
Increase (decrease) in provision for sales returns	-61	-60
Increase (decrease) in provision for bonuses	-35	-348
Increase (decrease) in provision for bonuses for directors	10	0
Increase (decrease) in allowance for doubtful accounts	10	-389
Interest and dividend income	-1,469	-1,482
Interest expense	30	79
Loss (gain) on sales of non-current assets	62	81
Loss (gain) on sales and valuation of investment securities	-970	-4,578
Decrease (increase) in notes and accounts receivable-trade	1,696	1,023
Decrease (increase) in inventories	2,910	1,143
Decrease (increase) in other assets	964	-626
Increase (decrease) in notes and accounts payable-trade	-19,196	739
Increase (decrease) in other liabilities	-647	3,969
Increase (decrease) in accrued consumption taxes	2,425	-2,479
Other, net	-4,278	-5,082
<b>Subtotal</b>	<b>11,885</b>	<b>9,330</b>
Interest and dividend received	1,445	1,467
Interest paid	-54	-81
Income taxes paid	-7,152	-6,731
Others, net	4,692	4,783
<b>Net cash provided by operating activities</b>	<b>10,815</b>	<b>8,768</b>

(Unit: million yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
<b>Cash flows from investing activities</b>		
Payments into time deposits	-1,088	-1,022
Proceeds from withdrawal of time deposits	1,107	1,025
Purchases of property, plant and equipment	-11,887	-4,141
Proceeds from sales of property, plant and equipment	295	740
Purchases of intangible assets	-1,983	-1,583
Proceeds from sales of intangible assets	0	0
Purchases of investment securities	-3,539	-628
Proceeds from sales and redemption of investment securities	2,318	7,424
Purchase of shares of subsidiaries and associates	-86	-1,344
Proceeds from sales of shares of subsidiaries and associates	46	—
Payments for asset retirement obligations	-63	-47
Loan advances	-178	-525
Collection of loans receivable	432	501
Other, net	-1,037	283
Net cash used in investing activities	-15,664	680
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	1,620	1,792
Proceeds from long-term borrowings	15,000	2,800
Repayments of long-term borrowings	-312	1,724
Purchases of treasury stock	-2,822	-2
Repayments of finance lease obligations	-1,577	-1,078
Dividends paid	-2,427	-2,468
Net cash used in financing activities	9,479	-680
Net increase(decrease) in cash and cash equivalents	4,630	8,768
Cash and cash equivalents at beginning of period	75,382	80,013
Increase in cash and cash equivalents resulting from merger	—	101
Cash and cash equivalents at end of period	*1 80,013	*1 88,882

(5)Notes to Consolidated Financial Statements  
(Notes Regarding the Going Concern Assumption)  
This disclosure is not applicable.

(Basis of Presenting Consolidated Financial Statements)

#### 1. Scope of Consolidation

(1)Number of Consolidated Subsidiaries: 18

The identities of primary consolidated subsidiaries are provided in State of Associated Companies of 2. “State of Corporate Group.”

(2) Name of Major Unconsolidated Subsidiary

Name of main unconsolidated subsidiary:

Nextit Research Institute Co., Ltd

(Reason for exclusion of scope of consolidation)

The unconsolidated subsidiary is small in size and does not have any significant effect on the Company’s consolidated total assets, net sales, consolidated profit, or retained earnings. Moreover, as it is insignificant taken as a whole, it is excluded from the scope of consolidation.

#### 2. Application of Equity Method

(1)Number of Affiliates Accounted for by Equity Method: 1

Names of Primary Affiliates:

SAKAI MEDICINES CO., LTD

(2)State of unconsolidated Subsidiaries and Affiliates Not Accounted for by Equity Method

Names of primary unconsolidated subsidiaries:

Nextit Research Institute, Inc.

Names of Primary Affiliates:

Wakaba

(Reason for non-application of the equity method)

Unconsolidated subsidiary and affiliate not accounted for by the equity method are excluded from being accounted for by equity method, because they individually do not have any significant effect on the Company’s consolidated profit or retained earnings, and also are insignificant as a whole.

#### 3. Fiscal Year Adopted by Consolidated Subsidiaries

The fiscal year end of each consolidated subsidiary corresponds to the Company’s consolidated fiscal year end.

#### 4. Accounting Principles

(1) Basis and Method of Valuation of Significant Assets

##### ① Securities

Held-to-maturity debt securities

Valued at amortized cost by the straight-line method.

Other securities

With market value:

.....Measured at fair value based on market price as of the end of the fiscal year. (All unrealized gains and losses are included directly in net assets, while the cost of securities sold are determined using the moving-average method.)

Without market value:

.....Measured at cost while the cost of securities sold are determined by the moving-average method.

For investments in an investment limited partnership or other similar partnerships (Securities as defined in Article 2, paragraph 2 of the Securities Exchange Law), the Company books the net value of proportional holdings based on the most recent available financial report of the association, according to the financial settlement date stipulated in the association contract.

##### ② Inventories

Inventories of 4 consolidated subsidiaries (TOHO PHARMACEUTICAL CO., LTD., Kyushu Toho Co., Ltd, SAYWELL Inc., and KOYO Co., Ltd.) are stated at the lower of cost or net realizable value, cost being determined by moving average method.

Inventories of KYOSOMIRAI PHARMA CO., LTD. are stated at the first-in, first-out method.

Inventories of the remaining consolidated subsidiaries are stated at cost determined by the last purchase price method.



## (2) Method of Depreciation of Significant Depreciable Assets

### ① Property, plant, and equipment (excluding leased assets)

Depreciated by the declining-balance method. However, buildings (except for facilities attached to buildings) acquired on and after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on and after April 1, 2016 are depreciated by the straight-line method.

The estimated useful lives of major asset categories are as follows:

Buildings and structures:	8 - 50 years
Vehicles and carriers:	4 - 6 years
Tools, furniture and fixtures:	5 - 15 years

### ② Intangible assets (excluding leased assets)

Amortized by the straight-line method.

Software for internal use is amortized by the straight-line method over the estimated useful life for internal use purpose (five years).

### ③ Leased assets

Leased assets related to finance lease transactions that do not transfer the ownership to the lessee:

Leased assets related to finance lease transactions that do not transfer the ownership to the lessee are accounted for by using the straight-line method over their leased periods which are deemed to be their useful life with no residual value.

## (3) Principles of Accounting for Significant Allowances and Reserves

### ① Allowance for doubtful accounts

The allowance for doubtful receivables is provided to cover possible losses in the collection of trade receivables, loans receivable, and others. The actual rate of historical bad debts is used for general receivables. For specific receivables subject to possible losses, the recoverability of individual accounts is assessed to estimate the uncollectible amount.

### ② Provision for bonuses

To provide for bonus payment to employees and directors who hold position as employee, reserve for bonuses is recognized based on the amounts expected to be paid that is afforded by the current fiscal year.

### ③ Provision for directors' bonuses

To provide for bonus payment to directors, reserve for directors' bonuses is recognized based on the amounts expected to be paid that is afforded by the current fiscal year.

### ④ Provision for sales returns

To provide for sales return losses, reserve for sales returns is provided based on estimated amounts of loss due to sales returns.

### ⑤ Provision for loss on Antimonopoly Act

To provide for a loss related to the Antimonopoly Act, a reserve is recognized based on the estimated amounts at the end of this consolidated fiscal year.

## (4) Accounting for Retirement Benefits

7 consolidated subsidiaries (PHARMA DAIWA, J.MIRAIMEDICAL, PHARMA MIRAI INC., VEGA PHARMA, KYOSOMIRAI PHARMA CO., LTD., Tokyo Research Center of Clinical Pharmacology Co., Ltd., and ALFInc.) adopt the simplified method in calculating projected benefit obligations for lump-sum retirement benefit plans, recognizing liabilities at amounts to be required for voluntary termination at the year-end. The Company and 2 consolidated subsidiaries (TOHO PHARMACEUTICAL CO., LTD. and Toho System Service Co., Ltd.) shifted entirely to a defined contributory pension program. In connection with this shift, they adopted a transitional program to pay retirement-age employees (still active on the payroll at said switchover) lump-sum severance allowances in the amount of a portion of all benefits attributable to past service, upon their retirement. This involved recognition of the relevant retirement benefit liability as of the end of March 31, 2021 to prepare for the payment of retirement benefits to these employees. Actuarial gains or losses are insignificant, and thus recognized as expenses in the fiscal year when accrued.

### (5) Amortization Method and Period of Goodwill

Goodwill is amortized over periods of five or ten years in equal amounts.

### (6) Definition of Cash and Cash Equivalents in Consolidated Statements of Cash Flows

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of changes in value.

### (7) Other Important Information for Preparation of Consolidated Financial Statements

#### Method of Accounting for Consumption Taxes and Others

All financial statement items are net of consumption taxes.

(Change in the Presentation of Consolidated Financial Statements)

(Consolidated balance sheets)

Furniture and fixtures, which were included in “Others” under property, plant and equipment in the preceding consolidated fiscal year, is presented independently from this consolidated fiscal year because their monetary materiality has increased. Retroactive adjustment has been made to the consolidated financial statements for the preceding fiscal year in order to reflect the change in the way of presentation.

Accordingly, 6,345 million yen in others under Property, plant and equipment has been reclassified in furniture and fixtures on the Consolidated balance sheets for the prior fiscal year.

(Consolidated income statement)

Furthermore, impairment Loss on valuation of investment securities, which was presented independently in extraordinary loss for the preceding consolidated fiscal year, has been reclassified in other profit or loss, beginning in the consolidated fiscal year under review because the impairment loss represented less than 10/100 of total extraordinary loss.

Retroactive adjustment has been made to the consolidated financial statements for the preceding fiscal year in order to reflect the change in the way of presentation.

Accordingly, 264 million yen Loss on valuation of investment securities in extraordinary loss has been reclassified in other profit or loss on the consolidated financial statements for the prior fiscal year.

(Notes to Consolidated Balance Sheets)

\*1 Accumulated depreciation of property, plant and equipment:

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
	54,640million yen	62,725million yen

\*2 Investments in unconsolidated subsidiaries and affiliates:

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Investment securities	14,290million yen	14,702million yen

\*3 Assets pledged as collateral and liabilities secured by collateral

Classified assets pledged

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Time deposits	165 million yen	165 million yen
Buildings	1,742 million yen	1,504 million yen
Land	4,203 million yen	4,002 million yen
Investment securities	4,035 million yen	2,695 million yen
Total	10,145 million yen	8,367 million yen

Liabilities secured by collateral

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Trade notes and accounts payable	20,281 million yen	18,762 million yen
Long-term borrowings (including current portion of long-term borrowings due within one year)	1,841 million yen	1,792 million yen
Total	22,122 million yen	20,555 million yen

\*4 Guarantee obligation

Bank loans guaranteed

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Leonis Co., Ltd.	—	277 million yen

\*5 Land revaluation

Pursuant to the “Law concerning Land Revaluation” (Act No. 34, issued on March 31, 1998) and the “Law for Partial Revision of Law concerning Land Revaluation” (Act No. 19, issued on March 31, 2001), the Company revalued its land used for business purposes and accordingly recorded the amount of revaluation difference in value, net of “deferred tax liabilities for land revaluation”, in “Revaluation reserve for land” under shareholders’ equity.

• Method of revaluation:

Based on the land tax assessment register specified in Article 2-3 of the Ordinance for Enforcement of Law concerning Land Revaluation (Government Ordinance No. 119, issued on March 31, 1998)

• Date of revaluation:

March 31, 2002

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Unrecognized loss on land	1,297 million yen	612 million yen

\*6 Certain consolidated subsidiaries have entered into loan commitment agreements with banks to obtain working capital.

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Total loan commitments	12,000 million yen	12,000 million yen
Loans payable outstanding	-	-
Outstanding balance	12,000 million yen	12,000 million yen

In addition, in order to raise funds for general business purposes in an effective manner, the Company had commitment line agreements with banks.

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Total loan commitments	1,000 million yen	1,000 million yen
Loans payable outstanding	-	-
Outstanding balance	1,000 million yen	1,000 million yen

(Notes to Consolidated Statements of Income)

\*1 Gain on sales of fixed assets:

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Gain on sale of buildings	9 million yen	2 million yen
Gain on sales of land	7 million yen	79 million yen
Gain on sale of furniture and fixtures	0 million yen	2 million yen
Total	17 million yen	84 million yen

\*2 Loss on disposal of fixed assets:

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Loss on disposal of buildings	34 million yen	149 million yen
Loss on disposal of furniture and fixtures	4 million yen	8 million yen
Loss on disposal of software	0 million yen	5 million yen
Loss on sale of buildings	11 million yen	1 million yen
Loss on sale of land	26 million yen	0 million yen
Loss on sale of vehicles and carriers	1 million yen	—
Total	79 million yen	165 million yen

\*3 Impairment loss

The Group recognized impairment losses on the following asset groups during the fiscal year under review.

The Company and its consolidated subsidiaries group assets principally into assets used for business purpose, leased assets and idle assets. For assets used for business purpose, the smallest unit is the asset group is determined based on each office, while the smallest unit for leased assets and idle assets is the individual asset.

Previous fiscal year(From April 1, 2019 to March 31, 2020)

Location	Purpose	Class
Sawara Pharmacy and other 28 sites	Real estate for business use	Land, buildings and goodwill
Former Sakai Sales Office and other 9 sites	Idle real estate	Land, buildings and goodwill

The Group reduced the book value of real estates used for business purposes to the recoverable amount due to consecutive losses, and recognized an impairment loss of 213 million yen. It comprised 22 million yen on land, 173 million yen on buildings, and 18 million yen on goodwill. The recoverable amount was measured based on the net realizable value. The recoverable amounts were based on the amounts assessed by real estate appraisers, but some assets that were insignificant were based on the value assessed for tax purpose.

An impairment loss of 85 million yen on idle real estates that were not used for business purposes was recognized due to the decision-making for sales and the continuous decline in market prices. It comprised 29 million yen on land, 54 million yen on buildings, and 1 million yen on goodwill. The Group measured recoverable amounts based on net realizable value. The recoverable amounts were based on the amounts assessed by real estate appraisers,

but some assets that were insignificant were based on the tax assessments of fixed assets.

Current fiscal year(From April 1, 2020 to March 31, 2021)

Location	Purpose	Class
Murakami Central Pharmacy and other 9 sites	Real estate for business use	Land, buildings and leasehold interests in land
Former Yashiro Office and other 13 sites	Idle real estate	Land and buildings

The Group reduced the book value of real estates used for business purposes to the recoverable amount due to consecutive losses, and recognized an impairment loss of 78 million yen. It comprised 27 million yen on land, 48 million yen on buildings, and 3 million yen on leasehold interests in land. The recoverable amount was measured based on the net realizable value. The recoverable amounts were based on the amounts assessed by real estate appraisers, but some assets that were insignificant were based on the value assessed for tax purpose.

An impairment loss of 118 million yen on idle real estates that were not used for business purposes was recognized due to the decision-making for sales and the continuous decline in market prices. It comprised 80 million yen on land and 38 million yen on buildings. The Group measured recoverable amounts based on net realizable value. The recoverable amounts were based on the amounts assessed by real estate appraisers, but some assets that were insignificant were based on the tax assessments of fixed assets.

#### \*4 Provision for loss on Antimonopoly Act

TOHO PHARMACEUTICAL, our consolidated subsidiary, and one of our employees were accused by the Japan Fair Trade Commission and indicted by the Tokyo District Public Prosecutors Office on suspicion of violating the Antimonopoly Act in connection with bidding for prescription pharmaceuticals ordered by JCHO on December 9, 2020. Consequently, there is a possibility that penalties, surcharges and forfeit will be paid in the future; therefore, we have estimated possible losses in the future and posted the provision of 4,213 million yen for losses related to the Antimonopoly Act as extraordinary losses for the consolidated fiscal year under review.

(Notes to Consolidated Statements of Comprehensive Income)

#### \*1 Reclassification adjustments and tax effects regarding other comprehensive income

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Unrealized gain on other securities		
Amount arising during the year	-1,361 million yen	8,877 million yen
Reclassification adjustments of gains and losses included in net income	-1,236 million yen	-4,508 million yen
Amount before tax effect	-2,598 million yen	4,369 million yen
Tax effect	759 million yen	-1,349 million yen
Unrealized gain on other securities	-1,838 million yen	3,019 million yen
Share of other comprehensive income of affiliate accounted for by equity method		
Amount arising during the year	22 million yen	17 million yen
Total other comprehensive income	-1,816 million yen	3,037 million yen

## (Notes to Consolidated Statements of Changes in Shareholders' Equity)

Previous fiscal year (From April 1, 2019 to March 31, 2020)

## 1. Types and total number of outstanding stocks, and types and number of treasury stock

Types of stocks	No. of shares as of end of previous period (in thousand shares)	No. of shares increased during this period (in thousand shares)	No. of shares decreased during this period (in thousand shares)	No. of shares as of the end of this period (in thousand shares)
Outstanding stocks				
Common stock	78,270	—	—	78,270
Total	78,270	—	—	78,270
Treasury stock				
Common stock (Note)	10,120	1,272	3,633	7,759
Total	10,120	1,272	3,633	7,759

(Note) 1. The increase of 1,272 thousand shares in treasury common stocks represents an increase of 1,270 thousand shares authorized by the Board of Directors, an increase of 1 thousand shares in acquisition without contribution of restricted stock compensation, and an increase of 0 thousand shares as a result of the purchase of odd-lot shares.

3. The decrease of 3,633 thousand shares in treasury common stocks represents a decrease of 3,612 thousand shares due to the exercising of subscription rights of Euro-yen denominated convertible bonds maturing in 2019, a decrease of 19 thousand stocks as a disposal as restricted stock compensation, and a decrease of 1 thousand stocks due to exercising stock options.

## 2. Stock subscription rights

Account	Description	Types of shares issued	Number of target shares (in thousand stocks)				Balance at current period end (million yen)
			As of previous period end	Increase	Decrease	As of current period end	
TOHO HOLDINGS CO., LTD.	Euro-Yen convertible corporate bonds due in 2019 with subscription rights to shares (Note 1,2,3,4)	Common stock	3,604	8	3,612	—	—
	Euro-Yen convertible corporate bonds due in 2023 with subscription rights to shares (Note 1,2)	Common stock	5,973	—	—	5,973	—
	Stock subscription rights as stock options	—	—	—	—	—	166
Total			9,578	8	3,612	5,973	166

(Note)1. The number of subscription rights to shares is the number of shares arrived at on the assumption that such rights are exercised.

2. The liability and equity components of the convertible bonds are not accounted for separately.
3. The increase of 8 thousand stocks of the number of Euro-Yen convertible corporate bonds due in 2019 with subscription rights to shares was due to adjustment of the conversion value in accordance with the provision related to the adjustment of the conversion value in the corporate bond guidebook.
4. The decrease of 3,612 thousand stocks of the number of Euro-Yen convertible corporate bonds due in 2019 with subscription rights to shares was due to a decrease due to the exercising of subscription rights.

## 3. Dividends

## (1) Dividend payment

Resolution	Type of stocks	Total dividend amount (million yen)	Dividend per share (yen)	Record date	Effective date
May 9, 2019 Board of directors	Common stock	1,022	15	March 31, 2019	June 7, 2019
November 7, 2019 Board of directors	Common stock	1,405	20	September 30, 2019	December 6, 2019

(Note) The dividend per share by the resolution the Board of Directors on November 7, 2019 includes a special dividend of 5 yen commemorating the 10th anniversary of the transition to a holding company.

## (2) Dividend whose record date falls within this term and whose effective date comes in the next term

Resolution	Type of stocks	Total dividend amount (million yen)	Source of dividend	Dividend per share (yen)	Record date	Effective date
May 9, 2020 Board of directors	Common stock	1,410	Retained earnings	20	March 31, 2020	June 10, 2020

(Note) The dividend per share includes a special dividend of 5 yen commemorating the 10th anniversary of the transition to a holding company.

Current fiscal year (From April 1, 2020 to March 31, 2021)

1. Types and total number of outstanding stocks, and types and number of treasury stocks

Types of stocks	No. of shares as of end of previous period (in thousand shares)	No. of shares increased during this period (in thousand shares)	No. of shares decreased during this period (in thousand shares)	No. of shares as of the end of this period (in thousand shares)
Outstanding stocks				
Common stock	78,270	—	—	78,270
Total	78,270	—	—	78,270
Treasury stock				
Common stock (Note)	7,759	2	1	7,759
Total	7,759	2	1	7,759

(Note) 1. The increase of 2 thousand shares in treasury common stocks represents an increase of 1 thousand shares in acquisition without contribution of restricted stock compensation, and an increase of 0 thousand shares as a result of the purchase of odd-lot shares.

2. The decrease of 1 thousand shares in treasury common stocks represents a decrease of exercising stock options.

2. Stock subscription rights

Account	Description	Types of shares issued	Number of target shares(in thousand stocks)				Balance at current period end (million yen)
			As of previous period end	Increase	Decrease	As of current period end	
	Euro-Yen convertible corporate bonds due in 2023 with subscription rights to shares (Note 1,2)	Common stock	5,973	—	—	5,973	—
	Stock subscription rights as stock options	—	—	—	—	—	162
	Total		5,973	—	—	5,973	162

(Note)1.The number of subscription rights to shares is the number of shares arrived at on the assumption that such rights are exercised.

2.The liability and equity components of the convertible bonds are not accounted for separately.

3. Dividends

(1) Dividend payment

Resolution	Type of stocks	Total dividend amount (million yen)	Dividend per share (yen)	Record date	Effective date
May 14, 2020 Board of directors	Common stock	1,410	20	March 31, 2020	June 10, 2020
November 6, 2020 Board of directors	Common stock	1,057	15	September 30, 2020	December 4, 2020

(Note) The dividend per share by the resolution the Board of Directors on May 14, 2020 includes a special dividend of 5 yen commemorating the 10th anniversary of the transition to a holding company.

(2) Dividend whose record date falls within this term and whose effective date comes in the next term

Resolution	Type of stocks	Total dividend amount (million yen)	Source of dividend	Dividend per share (yen )	Record date	Effective date
May 14, 2021 Board of directors	Common stock	1,057	Retained earnings	15	March 31, 2021	June 9, 2021

(Notes to Consolidated Statements of Cash Flows)

\*1 Reconciliation between cash and cash equivalents at the end of the fiscal year and amounts of related accounts in Consolidated Balance Sheet

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Cash and deposits	84,219 million yen	93,086 million yen
Time deposits with a maturity of more than three months or less	-4,206 million yen	-4,203 million yen
Short-term investments (investment securities) with a maturity of three months or less from the date of acquisition	— million yen	— million yen
Cash and cash equivalents	80,013 million yen	88,882 million yen

2 Details of significant non-cash transactions

Previous fiscal year (From April 1, 2019 to March 31, 2020)

The assets and liabilities related to finance leases which were newly recognized in the current period were 611 million yen, respectively.

Current fiscal year (From April 1, 2020 to March 31, 2021)

The assets and liabilities related to finance leases which were newly recognized in the current period were 407 million yen, respectively.

(Segment Information)

1. Outline of reportable segments

The reportable segments of the Company are those business units included in the Company for which separate financial information is available and which are subject to regular review by the Board of Directors so that it can make decisions about resources to be allocated to them as well as assess their business performance.

The Group has put the pharmaceutical wholesaling and dispensing pharmacies businesses under the control of respective management companies. Each management company formulates comprehensive domestic strategies, while operating companies are engaged in actual operations.

Meanwhile, in the pharmaceutical manufacturing and sales business, SMO and information equipment sales businesses the Company and respective operating companies work together in formulating comprehensive domestic strategies as well as in actual operations.

Accordingly, the Group consists of business segments that are based on sales of prescription pharmaceuticals, medical care-related products and services, etc. and has four reportable segments, namely Wholesale Sales of Pharmaceuticals, Dispensing Pharmacies, Pharmaceutical Manufacturing and Sales, Site Management Organization, and Information Equipment Sales.

Each of the segments is engaged in the following operations: Wholesale Sales of Pharmaceuticals, sales of pharmaceuticals, narcotics, reagents, etc., and sales of medical devices; Dispensing Pharmacies, operation of health insurance pharmacy and home medical care business, and pharmaceutical sales; The pharmaceutical manufacturing and sales business manufactures and sells generic drugs, and manufactures injection drugs on consignment. Site Management Organization, site management organization services; and Information Equipment Sales, design and sales of information processing equipment.

2. The calculation method of net sales, profits or losses, assets and other items by reportable segment

The accounting policies for the reportable segments are generally the same as those described in the “Basic Significant Matters Regarding Preparing Consolidated Financial Statements”.

The inter-segment internal net sales or transfers are based on prevailing market prices.



### 3. Information about sales, profit or loss, asset and other items by reportable segment

Previous fiscal year (from April 1, 2019 to March 31, 2020)

	Reportable segments					Adjustments (million yen) (Note 1)	Consolidated total (million yen) (Note 2)
	Wholesale Sales of Pharmaceuticals (million yen)	Dispensing Pharmacies (million yen)	Site Management Organization (million yen)	Information Equipment Sales (million yen)	Total (million yen)		
Net sales							
(1) Sales to external customers	1,166,422	95,856	256	1,133	1,263,708	—	1,263,708
(2) Inter-segment sales	47,608	227	—	312	48,148	-48,148	—
Total	1,214,030	96,124	256	1,445	1,311,857	-48,148	1,263,708
Segment profit	18,011	2,700	-126	29	20,615	-3,024	17,590
Segment assets	514,304	51,019	674	2,298	568,297	102,529	670,827
Other items							
Depreciation and amortization	2,997	822	7	11	3,838	1,359	5,198
Amortization of goodwill	83	557	—	—	641	—	641
Amortization of negative goodwill	—	7	—	—	7	—	7
Loss on impairment of fixed assets	81	187	30	—	299	—	299
Investment in an affiliate accounted for by the equity method	1,605	—	—	—	1,605	—	1,605
Unamortized balance of goodwill	139	621	—	—	760	—	760
Capital expenditures	12,253	2,044	0	305	14,604	0	14,604

(Note) 1. Adjustments comprised the following items:

- (1) The adjustment amounts of segment profits represented the elimination of inter-segment transactions, unrealized profit, and corporate expenses not allocated to any reportable segment.
  - (2) The adjustment amounts of segment assets included 154,057 million yen of the corporate assets that are not allocated to any business segment, in addition to the elimination of inter-segment transactions. The corporate assets mainly consist of surplus funds under management (cash and deposits) and long-term investment funds (investment securities and other).
2. The amounts of segment profit were subsequently adjusted with the amount of operating income in the Consolidated Statements of Income.

Current fiscal year (from April 1, 2020 to March 31, 2021)

	Reportable segments						Adjustments (million yen) (Note 1)	Consolidated total (million yen) (Note 2)
	Wholesale Sales of Pharmaceuticals (million yen)	Dispensing Pharmacies (million yen)	Pharmaceutical Manufacturing and Sales (million yen)	Site Management Organization (million yen)	Information Equipment Sales (million yen)	Total (million yen)		
Net sales								
(1) Sales to external customers	1,116,229	91,089	2,250	235	469	1,210,274	—	1,210,274
(2) Inter-segment sales	46,027	8	5,840	—	321	52,197	-52,197	—
Total	1,162,256	91,098	8,090	235	790	1,262,472	-52,197	1,210,274
Segment profit	3,970	2,688	729	-140	-540	6,707	-2,403	4,303
Segment assets	511,291	53,169	5,357	521	1,615	571,954	111,227	683,181
Other items								
Depreciation and amortization	3,591	802	8	6	10	4,419	1,544	5,964
Amortization of goodwill	83	288	—	—	—	372	—	372
Amortization of negative goodwill	—	—	—	—	—	—	—	—
Loss on impairment of fixed assets	138	59	—	—	—	197	—	197
Investment in an affiliate accounted for by the equity method	1,642	—	—	—	—	1,642	—	1,642
Unamortized balance of goodwill	55	332	—	—	—	388	—	388
Capital expenditures	3,977	1,914	132	0	3	6,029	-28	6,000

(Note) 1. Adjustments comprised the following items:

- (1) The adjustment amounts of segment profits represented the elimination of inter-segment transactions, unrealized profit, and corporate expenses not allocated to any reportable segment.
  - (2) The adjustment amounts of segment assets included 164,908 million yen of the corporate assets that are not allocated to any business segment, in addition to the elimination of inter-segment transactions. The corporate assets mainly consist of surplus funds under management (cash and deposits) and long-term investment funds (investment securities and other).
2. The amounts of segment profit were subsequently adjusted with the amount of operating income in the Consolidated Statements of Income.

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.

(Related Information)

Previous fiscal year (from April 1, 2019 to March 31, 2020)

1 Information on each product and service

Descriptions are omitted since the net sales of singular products or services to outside customers exceed 90% of the total net sales under the Consolidated Statements of Income.

2 Geographical segment information

(1) Net sales

Descriptions are omitted since the net sales of outside customers in Japan exceed 90% of the total net sales under the Consolidated Statements of Income.

(2) Property, plant and equipment

This disclosure is not applicable since there is no property, plant or equipment located in overseas countries.

3 Principal customer segment information

Among the net sales to outside customers, there are no customers accounting for 10% or more of total net sales in the Consolidated Statements of Income. Consequently, this description is omitted.

Current fiscal year (from April 1, 2020 to March 31, 2021)

1 Information on each product and service

Descriptions are omitted since the net sales of singular products or services to outside customers exceed 90% of the total net sales under the Consolidated Statements of Income.

2 Geographical segment information

(1) Net sales

Descriptions are omitted since the net sales of outside customers in Japan exceed 90% of the total net sales under the Consolidated Statements of Income.

(2) Property, plant and equipment

This disclosure is not applicable since there is no property, plant or equipment located in overseas countries.

3 Principal customer segment information

Among the net sales to outside customers, there are no customers accounting for 10% or more of total net sales under the Consolidated Statements of Income. Consequently, this description is omitted.

(Information concerning impairment losses for fixed assets by reportable segment)

Previous fiscal year (from April 1, 2019 to March 31, 2020)

This description is omitted since the similar information is disclosed in the segment information above.

Current fiscal year (from April 1, 2020 to March 31, 2021)

This description is omitted since the similar information is disclosed in the segment information above.

(Information on the amortization and unamortized balance of goodwill by reportable segment)

Previous fiscal year (from April 1, 2019 to March 31, 2020)

This description is omitted since the similar information is disclosed in the segment information above.

Current fiscal year (from April 1, 2020 to March 31, 2021)

This description is omitted since the similar information is disclosed in the segment information above.

(Information on the gain on negative goodwill by reportable segment)

Previous fiscal year (from April 1, 2019 to March 31, 2020)

Not applicable.

Current fiscal year (from April 1, 2020 to March 31, 2021)

Not applicable.

## (Amounts per Share)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Net asset per share	3,273.86 yen	3,364.65 yen
Profit attributable to owners of parent per share	233.34 yen	70.77 yen
Diluted profit attributable to owners of parent per share after adjustments on potential shares	208.55 yen	64.97 yen

(Note) 1. The basis of the calculation of profit attributable to owners parent per share and diluted profit attributable to owners parent per share after adjustments on potential shares is as follows:

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
Profit attributable to owners parent per share		
Profit attributable to owners of parent (million yen)	16,230	4,989
Amount not attributed to shareholders of common stock (million yen)	—	—
Profit attributable to owners of parent from common stock (million yen)	16,230	4,989
Weighted-average number of shares of common stock outstanding	69,554,534	70,510,695
Diluted profit attributable to owners parent per share after adjustments on potential shares		
Adjustment for profit attributable to owners of parent (million yen)	-18	-13
(Including interest income (after deducting the portion equivalent to tax) (million yen))	(-18)	(-13)
Increase in number of shares of common stock	8,181,165	6,079,850
(Including stock subscription rights)	(81,815)	(79,250)
(Including bonds with stock subscription rights)	(8,099,350)	(6,000,600)
Outline of potential shares not included in calculation of current profit attributable to owners parent per share after adjustments on potential shares due to no dilution effect	—	

2. The basis of the calculation of the net asset per share is as follows:

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
Total net asset on the Consolidated Balance Sheets (million yen)	231,009	237,405
Amounts deducted from total net assets (million yen)	166	162
(Including: Stock subscription rights) (million yen)	(166)	(162)
Net assets available to owners of parent of common stock (million yen)	230,842	237,243
Number of shares of common stock for computation of net asset per share	70,510,933	70,510,393

## (Significant Subsequent Events)

Not applicable.

## 6. Unconsolidated Financial Statements

### (1) Balance Sheets

	Previous fiscal year (As of March 31, 2020)	(Unit: million yen) Current fiscal year (As of March 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	71,068	81,094
Prepaid expenses	75	75
Other accounts receivable	3,335	3,547
Short-term loans receivable	18,304	21,353
Other current assets	16	34
<b>Total current assets</b>	<b>92,801</b>	<b>106,104</b>
Non-current assets		
Property, plant and equipment		
Buildings, net	18,142	23,104
Structures, net	584	515
Furniture and fixtures, net	53	48
Land	20,128	20,111
Leased assets, net	505	333
Construction in progress	3,502	49
<b>Total property, plant and equipment, net</b>	<b>42,916</b>	<b>44,163</b>
Intangible assets		
Leasehold right	12	12
Software	333	324
Others	39	3
<b>Total intangible assets</b>	<b>385</b>	<b>340</b>
Investments and other assets		
Investment securities	67,345	69,219
Shares of subsidiaries and affiliates	31,523	33,134
Investments in capital of subsidiaries and affiliates	1,670	1,670
Long-term loans receivable	941	912
Long-term loans receivable from subsidiaries and affiliates	2,257	1,824
Claims provable in bankruptcy, claims provable in rehabilitation and other	3,520	3,480
Long-term prepaid expenses	134	122
Other assets	1,639	1,639
Allowance for doubtful accounts	-2,549	-2,583
<b>Total investments and other assets</b>	<b>106,482</b>	<b>109,419</b>
<b>Total non-current assets</b>	<b>149,784</b>	<b>153,923</b>
<b>Total assets</b>	<b>242,585</b>	<b>260,028</b>

(Unit: million yen)

	Previous fiscal year (As of March 31, 2020)	Current fiscal year (As of March 31, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Current portion of long-term loans payable	1,152	2,304
Lease obligations	231	199
Asset retirement obligations	20	—
Accounts payable-other	260	98
Accrued expenses	69	116
Accrued income taxes	199	521
Accrued consumption taxes	130	—
Deposits received	39,591	44,928
Provision for bonuses	76	74
Provision for directors' bonuses	45	46
Other current liabilities	—	0
<b>Total current liabilities</b>	<b>41,777</b>	<b>48,289</b>
<b>Long-term liabilities</b>		
Corporate bonds	20,063	20,043
Long-term borrowings	13,848	11,544
Lease obligations	300	143
Deferred tax liabilities	15,056	16,601
Deferred tax liabilities for land revaluation	788	757
Provision for retirement benefits	12	11
Asset retirement obligations	289	1,919
Other long-term liabilities	100	100
<b>Total long-term liabilities</b>	<b>50,457</b>	<b>51,120</b>
<b>Total liabilities</b>	<b>92,235</b>	<b>99,410</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	10,649	10,649
<b>Capital surplus</b>		
Legal capital surplus	46,177	46,177
Other capital surplus	3,938	3,937
<b>Total Capital surplus</b>	<b>50,115</b>	<b>50,114</b>
<b>Retained earnings</b>		
Legal retained earnings	664	664
<b>Other retained earnings</b>		
Reserve for reduction entry of land	1,523	1,513
General reserve	6,336	6,336
Retained earnings brought forward	70,453	78,113
<b>Total retained earnings</b>	<b>78,977</b>	<b>86,627</b>
Treasury stock	-15,825	-15,823
<b>Total shareholders' equity</b>	<b>123,916</b>	<b>131,568</b>
<b>Valuation and translation adjustments</b>		
Unrealized gain on other securities	30,751	33,244
Revaluation reserve for land	-4,484	-4,357
<b>Total valuation and translation adjustments</b>	<b>26,266</b>	<b>28,866</b>
Stock subscription rights	166	162
<b>Total net assets</b>	<b>150,349</b>	<b>160,617</b>
<b>Total liabilities and net assets</b>	<b>242,585</b>	<b>260,028</b>

## (2) Statements of Income

(Unit: million yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
<b>Operating revenue</b>		
Income of management guidance	1,175	1,214
Income of real estate rent	2,466	2,478
Dividend income	9,549	7,406
Others	308	283
<b>Total operating revenue</b>	<b>13,500</b>	<b>11,382</b>
<b>Operating expenses</b>		
Real estate related expenses	1,853	1,887
<b>General and administrative expenses</b>		
Directors' compensations, salaries and allowances	1,639	1,533
Provision for bonuses	76	61
Provision for directors' bonuses	45	46
Provision for retirement benefits	0	-0
Welfare expenses	214	195
Vehicle expenses	1	1
Provision of allowance for doubtful accounts	17	34
Depreciation	386	412
Rent expenses	1,118	769
Taxes and dues	371	412
Others	1,275	1,110
<b>Total operating expenses</b>	<b>7,002</b>	<b>6,464</b>
<b>Operating income</b>	<b>6,498</b>	<b>4,918</b>
<b>Non-operating income</b>		
Interest income	283	253
Dividend income	1,327	1,349
Research fee income	187	213
Income from rental properties	15	13
Others	433	411
<b>Total non-operating income</b>	<b>2,246</b>	<b>2,240</b>
<b>Non-operating expenses</b>		
Interest expense	197	287
Commitment fee	1	1
Others	14	30
<b>Total non-operating expenses</b>	<b>212</b>	<b>318</b>
<b>Ordinary income</b>	<b>8,532</b>	<b>6,840</b>



(Unit: million yen)

	Previous fiscal year (From April 1, 2019 to March 31, 2020)	Current fiscal year (From April 1, 2020 to March 31, 2021)
<b>Extraordinary income</b>		
Gain on sales of non-current assets	—	57
Gain on sales of investment securities	1,580	5,516
Total extraordinary income	1,580	5,573
<b>Extraordinary loss</b>		
Loss on disposal of non-current assets	22	120
Impairment loss	48	20
Loss on valuation of investment securities	264	249
Others	47	8
Total extraordinary loss	382	399
Profit before income taxes	9,730	12,014
Current	56	1,375
Deferred	-46	393
Total income taxes and other	9	1,768
Profit	9,720	10,245

### 3)Statement of Changes in Shareholders' Equity

Previous fiscal year(From April 1, 2019 to March 31, 2020)

(Unit: million yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the beginning of the current period	10,649	46,177	3,233	49,410
Changes during period				
Dividends of surplus				
Profit				
Reversal of reserve for tax purpose reduction entry of land				
Purchase of treasury stock				
Disposal of treasury stock			704	704
Reversal of revaluation reserve for land				
Net changes in items other than shareholders' equity				
Total changes during period	—	—	704	704
Balance at the end of period	10,649	46,177	3,938	50,115

	Shareholders' equity						
	Retained earnings					Treasury stock	Total shareholder's equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for tax purpose reduction entry of land	General reserve	Retained earnings brought forward			
Balance at the beginning of the current period	664	1,579	6,336	63,104	71,684	-20,297	111,447
Changes during period							
Dividends of surplus				-2,427	-2,427		-2,427
Profit				9,720	9,720		9,720
Reversal of reserve for tax purpose reduction entry of land		-56		56	—		—
Purchase of treasury stock						-2,822	-2,822
Disposal of treasury stock						7,294	7,998
Reversal of revaluation reserve for land				—	—		—
Net changes in items other than shareholders' equity							
Total changes during period	—	-56	—	7,349	7,292	4,471	12,469
Balance at the end of period	664	1,523	6,336	70,453	78,977	-15,825	123,916

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the beginning of the current period	32,785	-4,484	28,300	168	139,916
Changes during period					
Dividends of surplus					-2,427
Profit					9,720
Reversal of reserve for tax purpose reduction entry of land					—
Purchase of treasury stock					-2,822
Disposal of treasury stock					7,998
Reversal of revaluation reserve for land					—
Net changes in items other than shareholders' equity	-2,034	—	-2,034	-2	-2,036
Total changes during period	-2,034	—	-2,034	-2	10,432
Balance at the end of period	30,751	-4,484	26,266	166	150,349

Current fiscal year (From April 1, 202 to March 31, 2021)

(Unit: million yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the beginning of the current period	10,649	46,177	3,938	50,115
Changes during period				
Dividends of surplus				
Profit				
Reversal of reserve for tax purpose reduction entry of land				
Purchase of treasury stock				
Disposal of treasury stock			-0	-0
Reversal of revaluation reserve for land				
Net changes in items other than shareholders' equity				
Total changes during period	—	—	-0	-0
Balance at the end of period	10,649	46,177	3,937	50,114

	Shareholders' equity						
	Retained earnings					Treasury stock	Total shareholder's equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for tax purpose reduction entry of land	General reserve	Retained earnings brought forward			
Balance at the beginning of the current period	664	1,523	6,336	70,453	78,977	-15,825	123,916
Changes during period							
Dividends of surplus				-2,468	-2,468		-2,468
Profit				10,245	10,245		10,245
Reversal of reserve for tax purpose reduction entry of land		-9		9	—		—
Purchase of treasury stock						-2	-2
Disposal of treasury stock						3	3
Reversal of revaluation reserve for land				-126	-126		-126
Net changes in items other than shareholders' equity							
Total changes during period	—	-9	—	7,659	7,650	1	7,651
Balance at the end of period	664	1,513	6,336	78,113	86,627	-15,823	131,568

(Unit: million yen)

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the beginning of the current period	30,751	-4,484	26,266	166	150,349
Changes during period					
Dividends of surplus					-2,468
Profit					10,245
Reversal of reserve for tax purpose reduction entry of land					—
Purchase of treasury stock					-2
Disposal of treasury stock					3
Reversal of revaluation reserve for land					-126
Net changes in items other than shareholders' equity	2,492	126	2,619	-3	2,616
Total changes during period	2,492	126	2,619	-3	10,268
Balance at the end of period	33,244	-4,357	28,886	162	160,617