

Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2025 [Japanese GAAP]



February 12, 2025

Company name: **VITAL KSK HOLDINGS, INC.**
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3151
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 Scheduled date of commencing dividend payments: –
 Preparation of supplementary explanatory materials: Yes
 Financial results briefing: No

(Amounts of less than one million yen are rounded down.)

1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2025

(April 1, 2024 – December 31, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2024	460,680	2.6	5,406	(4.5)	6,419	(1.3)	6,459	27.8
December 31, 2023	448,909	–	5,658	–	6,506	–	5,054	–

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥8,708 million [33.4%]

Nine months ended December 31, 2023: ¥6,526 million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2024	131.03	–
December 31, 2023	99.12	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2024	344,173	110,083	31.6
March 31, 2024	317,258	105,940	33.0

(Reference) Equity: As of December 31, 2024: ¥108,712 million

As of March 31, 2024: ¥104,664 million

(Note) Changes from the previous corresponding period for the third quarter of the fiscal year ended March 31, 2024 are not shown due to a change in presentation method from the first quarter of the fiscal year ended March 31, 2024.

2. Cash Dividends

	Cash dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	–	19.00	–	23.00	42.00
Year ending March 31, 2025	–	21.00	–		
Year ending March 31, 2025 (Forecast)				22.00	43.00

(Note) 1. Revision to the forecast for dividends announced most recently: None

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 31, 2025)
(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
	590,000	0.4	5,500	(1.0)	6,400	(2.4)	6,000	122.34

(Note) Revision to forecast of consolidated results announced most recently: None

*** Notes:**

(1) Major changes in the scope of consolidation during the period under review: None

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

* For details, please see “(3) Notes to Quarterly Consolidated Financial Statements (Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)” on page 8 of the attached materials.

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of outstanding shares (common shares)

1) Total number of outstanding shares at the end of the period (including treasury stocks):

December 31, 2024: 51,902,976 shares

March 31, 2024: 51,902,976 shares

2) Total number of treasury stocks at the end of the period:

December 31, 2024: 3,628,047 shares

March 31, 2024: 1,706,337 shares

3) Average number of shares during the period:

Nine months ended December 31, 2024: 49,295,794 shares

Nine months ended December 31, 2023: 50,997,734 shares

* Review of the accompanying quarterly consolidated financial statements by certified public accountants or an audit corporation: Yes (optional)

* Explanation of the proper use of performance forecast and other notes

- The earnings forecast and other forward-looking statements herein are based on the information currently available and certain assumptions deemed reasonable by the Company, and thus actual results may differ significantly from these forecasts due to a wide range of factors.

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1. Qualitative Information on Quarterly Financial Results

Explanation of Operating Results

During the nine months ended December 31, 2024, the Japanese economy gradually recovered and social and economic activities increased amid improvement in the employment and income situation, despite the downside risks posed to the economy by the depreciation of the yen and rising prices. However, there is still a high degree of uncertainty in the outlook, with global instability, supply-side constraints and financial and capital market volatility.

In the pharmaceutical wholesale business sector, which is the Group's main business, the drug price revisions in April 2024 cut approximately ¥120 billion from national healthcare costs and, going forward, discussions aimed at radically reforming policies and systems related to people's lives and health such as the social security system and the drug pricing system are likely to increase and the policy of curbing drug costs is likely to be maintained.

Under these circumstances, during the fiscal year under review, which is the final fiscal year under the Group's fifth Medium-term Management Plan, the Group aims to complete a number of practical tasks and achieve its profit plan, while at the same time working together on initiatives for realization of its Long-term Vision 2035, which is "Beyond medicine, beyond barriers. Innovating the future of medical care by being a "connector".

During the third quarter of the consolidated fiscal year under review, the pharmaceutical wholesale business saw increased sales of products eligible for the price maintenance premium, such as anticancer drugs, and various vaccines, growing sales of influenza test kits and treatments associated with a surge in cases at the end of the year, and contributions to sales expansion from major operating subsidiaries VITAL-NET, Inc. (headquartered in Sendai-shi) and KSK Co., Ltd. (headquartered in Osaka-shi).

In addition, KSK Co., Ltd. established the Women's Healthcare Solutions (WHS) Department, a sales organization consisting mainly of women to respond to diseases and health problems that are specific to women and have come to light with the social advancement of women. The department began operating in July 2024. They promote sales activities targeting obstetric and gynecological departments utilizing their specialized expertise, and the effects of their activities, including their contribution to the expansion of sales channels and sales growth, have quickly become apparent.

Gross profit increased due to the aforementioned growth of revenue and price negotiations with an eye on trading costs, something the Company has consistently worked on, despite the absence of the proceeds from the government-commissioned delivery of COVID-19 vaccines posted in the previous year. At the same time, a reaction to the reversal of allowance for doubtful accounts in the previous year and an increase in selling, general and administrative expenses, including investments in information systems, resulted in a slight year-on-year decrease in operating profit and ordinary profit.

While the Company initially planned to post extraordinary income from the sale of cross-held shares in the fourth quarter, the Company sold most of the shares it planned to sell in the third quarter, taking into account trends in the stock market during the fiscal period under review, and posted ¥3,351 million as extraordinary income.

As a result, for the nine months ended December 31, 2024, net sales were ¥460,680 million (102.6% of that of the same period of the previous year), operating profit was ¥5,406 million (95.5% of that of the same period of the previous year), ordinary profit was ¥6,419 million (98.7% of that of the same period of the previous year), and profit attributable to owners of parent was ¥6,459 million (127.8% of that of the same period of the previous year).

Performance results by business segment are as follows.

1) Pharmaceutical Wholesale Business

In the nine months ended December 31, 2024, net sales of the pharmaceutical wholesale business increased slightly, reflecting growth in sales of influenza treatments due to the surge in cases mentioned earlier and growth in sales of products eligible for the price maintenance premium, such as anticancer drugs, original drugs, the cervical cancer vaccine and the COVID-19 vaccine that started being given to patients in October. This growth offset the loss of revenue due to the impact of the NHI drug price revision and the negative impact of matters in other areas such as the year-on-year decline in sales of COVID-19-related products (sales of drugs, test kits, etc. for the treatment of COVID-19 and sales from the government-commissioned delivery of COVID-19 vaccines). Profit grew year on year, mainly due to the effect of this sales growth.

Profit decreased slightly year on year, mainly due to a reaction to the reversal of allowance for doubtful accounts in the previous year and investments in information systems, which more than offset the increase in gross profit that was primarily a result of the aforementioned growth of revenue.

As a result, net sales were ¥434,162 million (102.6% of that of the same period of the previous year), and segment profit (operating profit) was ¥5,075 million (97.4% of that of the same period of the previous year).

2) Pharmacy Business

The pharmacy business achieved sales growth, mainly due to efforts to expand income from dispensing technical fees and income from pharmaceutical management fees, despite a decrease in the the number of prescriptions received. However, profit fell, mainly due to the impact of NHI drug price revisions and longer duration prescriptions. As a result, net sales were ¥14,676 million (102.7% of that of the same period of the previous year), and segment profit (operating profit) was ¥171 million (66.3% of that of the same period of the previous year).

3) Veterinary Drug Wholesale Business

The veterinary drug wholesale business recorded net sales of ¥8,770 million (103.5% of that for the same period of the previous year), partly due to the conversion of Arrowmedical Inc. into a consolidated subsidiary in August 2024, which offset the sometimes negative impact of a changeover in products after certain products started being sold directly by their manufacturers. Segment profit (operating profit) was ¥242 million (84.1% of that for the same period of the previous year), reflecting the impact of higher purchase prices.

4) Other Businesses

Other businesses reported a smaller segment loss, mainly due to the recovery of sales in each business. As a result, net sales were ¥3,071 million (105.1% of that of the same period of the previous year), and segment loss (operating loss) was ¥108 million (segment loss for the same period of the previous year was ¥162 million).

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	34,712	31,503
Notes and accounts receivable - trade	117,993	136,573
Inventories	31,421	38,831
Accounts receivable - other	16,337	17,599
Other	2,890	3,522
Allowance for doubtful accounts	(51)	(56)
Total current assets	203,303	227,974
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,174	18,380
Land	25,244	25,292
Other, net	5,285	5,853
Total property, plant and equipment	49,704	49,526
Intangible assets		
Goodwill	682	647
Other	3,231	3,535
Total intangible assets	3,913	4,183
Investments and other assets		
Investment securities	46,956	48,679
Other	14,033	14,462
Allowance for doubtful accounts	(653)	(651)
Total investments and other assets	60,336	62,490
Total non-current assets	113,954	116,199
Total assets	317,258	344,173

(Million yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	179,174	203,994
Short-term borrowings	890	900
Current portion of long-term borrowings	970	970
Income taxes payable	1,561	1,802
Provision for bonuses	1,687	667
Other	9,122	8,351
Total current liabilities	193,407	216,685
Non-current liabilities		
Long-term borrowings	5,820	5,092
Other provisions	366	300
Retirement benefit liability	60	112
Other	11,663	11,898
Total non-current liabilities	17,910	17,404
Total liabilities	211,317	234,089
Net assets		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	5,272	5,272
Retained earnings	71,339	75,610
Treasury shares	(1,653)	(4,054)
Total shareholders' equity	79,958	81,829
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,749	25,243
Remeasurements of defined benefit plans	1,956	1,639
Total accumulated other comprehensive income	24,705	26,883
Non-controlling interests	1,276	1,371
Total net assets	105,940	110,083
Total liabilities and net assets	317,258	344,173

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended December 31, 2023 and 2024

(Million yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net sales	448,909	460,680
Cost of sales	412,537	423,523
Gross profit	36,372	37,157
Selling, general and administrative expenses	30,714	31,751
Operating profit	5,658	5,406
Non-operating income		
Interest income	50	32
Dividend income	492	509
Share of profit of entities accounted for using equity method	21	56
Rental income	193	195
Gain on redemption of securities	—	239
Other	245	120
Total non-operating income	1,004	1,154
Non-operating expenses		
Interest expenses	74	62
Rental expenses	58	39
Loss on investments in investment partnerships	13	30
Other	10	8
Total non-operating expenses	156	140
Ordinary profit	6,506	6,419
Extraordinary income		
Gain on sale of non-current assets	46	1
Gain on sale of investment securities	1,221	3,351
Other	26	4
Total extraordinary income	1,295	3,357
Extraordinary losses		
Loss on sale of non-current assets	—	28
Impairment losses	49	39
Loss on valuation of investment securities	42	—
Demolition cost	47	58
Other	36	15
Total extraordinary losses	176	142
Profit before income taxes	7,625	9,634
Income taxes	2,490	3,103
Profit	5,134	6,530
Profit attributable to non-controlling interests	80	71
Profit attributable to owners of parent	5,054	6,459

Quarterly Consolidated Statements of Comprehensive Income
Nine Months Ended December 31, 2023 and 2024

(Million yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit	5,134	6,530
Other comprehensive income		
Valuation difference on available-for-sale securities	1,327	1,791
Remeasurements of defined benefit plans, net of tax	(273)	(315)
Share of other comprehensive income of entities accounted for using equity method	337	702
Total other comprehensive income	1,391	2,177
Comprehensive income	6,526	8,708
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,445	8,637
Comprehensive income attributable to non-controlling interests	80	71

(3) Notes to Quarterly Consolidated Financial Statements

(Significant matters that serve as the basis for the preparation of quarterly consolidated financial statements)

The quarterly consolidated financial statements are prepared in accordance with Article 4, Paragraph 1 of Standards for Preparation of Quarterly Financial Statements of the Tokyo Stock Exchange, Inc. and accounting principles generally accepted in Japan for quarterly financial statements, applying the provisions for reduced disclosures as set forth in Article 4, Paragraph 2 of the Standards.

(Notes on going concern assumption)

For the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

Not applicable.

(Notes in the case of significant changes in amount of shareholders' equity)

For the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

Not applicable.

(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)

Calculation of tax expenses

Tax expenses are calculated by the method in which the effective tax rate on profit before income taxes for the current consolidated fiscal year after application of tax effect accounting is reasonably estimated, and profit before income taxes was multiplied by the estimated effective tax rate.

(Changes in accounting policies)

(Application of the Accounting Standard for Current Income Taxes, etc.)

The Company has been applying the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter the "Revised Accounting Standard 2022") since the beginning of the first three months of the fiscal year under review. Regarding revisions to the accounting classification for corporate taxes, etc. (taxation on other comprehensive income), the Company conformed to the specific transitional provisions prescribed in the provisory clause under Paragraph 20-3 of the Revised Accounting Standard 2022 and the specific transitional provisions prescribed in the provisory clause under Paragraph 65-2(2) of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28 of October 28, 2022; hereinafter, "Revised Accounting Guidance 2022"). This change in accounting policies has no impact on the quarterly consolidated financial statements.

In response to the revised guidance on the deferral of gains/losses on the sale of shares in subsidiary between consolidated companies for tax purposes that are recorded in the consolidated financial statements, the Company has been applying the Revised Accounting Guidance 2022 since the beginning of the first three months of the fiscal year under review. This change in accounting policy is applied retroactively, and the change is reflected in the quarterly consolidated financial statements and consolidated financial statements for the previous fiscal year. The change in accounting policy has no impact on the quarterly consolidated financial statements or consolidated financial statements for the previous fiscal year.

(Segment information)

1. Overview of reportable segments

The Group's reportable segments are components of the Group about which separate financial information is available. These segments are subject to periodic examinations to enable the company's Board of Directors to decide how to allocate resources and assess performance.

The Group's segment is categorized based on the business of its operating company, and thus its main segments, the "Pharmaceutical Wholesale Business," the "Pharmacy Business," and the "Veterinary Drug Wholesale Business" comprise the Group's reportable segments.

The "Pharmaceutical Wholesale Business" is engaged in sales of drugs, diagnostic products, medical devices, materials, etc. to medical institutions, such as hospitals, clinics, and pharmacies. The "Pharmacy Business" is engaged in sales of drugs, medical devices and equipment, and hygiene materials, etc. to general consumers. The "Veterinary Drug Wholesale Business" is engaged in sales of veterinary drugs, feeds, etc. to farms, ranches, veterinary hospitals, clinics, etc.

2. Method of measurement for the amounts of net sales, profit (loss), assets and other items for each reportable segment

The method of accounting for the reportable business segments is generally the same as those stated in "Basis for the Presentation of the Consolidated Financial Statements."

Profit in the reportable segments is based on operating profit.

Inter-segment revenues and transfers are calculated at prevailing market prices.

3. Information on net sales, profit (loss), assets and other items by reportable segment

For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Pharmaceutical Wholesale Business	Pharmacy Business	Veterinary Drug Wholesale Business	Total				
Net sales								
Net sales to outside customers	423,218	14,295	8,472	445,987	2,922	448,909		448,909
Inter-segment net sales or transfers	8,031	9	0	8,041	1,955	9,997	(9,997)	
Total	431,250	14,304	8,473	454,028	4,878	458,907	(9,997)	448,909
Segment profit (loss)	5,211	259	288	5,759	(162)	5,597	61	5,658

(Notes) 1. "Others" is the segment which is not included in reportable segments, including such businesses as wholesale of agricultural chemicals, nursing care service business, transportation business, and consulting services for medical institutions.

2. Adjustment of segment profit (loss) of ¥61 million refers to elimination of inter-segment transactions.

3. Adjustments are made to reconcile segment profit (loss) to operating profit reported on the consolidated statements of income.

For the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Pharmaceutical Wholesale Business	Pharmacy Business	Veterinary Drug Wholesale Business	Total				
Net sales								
Net sales to outside customers	434,162	14,676	8,770	457,609	3,071	460,680		460,680
Inter-segment net sales or transfers	8,274	9	0	8,283	2,026	10,310	(10,310)	
Total	442,436	14,686	8,770	465,892	5,097	470,990	(10,310)	460,680
Segment profit (loss)	5,075	171	242	5,489	(108)	5,381	25	5,406

- (Notes) 1. "Others" is the segment which is not included in reportable segments, including such businesses as wholesale of agricultural chemicals, nursing care service business, transportation business, and consulting services for medical institutions.
2. Adjustment of segment profit (loss) of ¥25 million refers to elimination of inter-segment transactions.
3. Adjustments are made to reconcile segment profit (loss) to operating profit reported on the consolidated statements of income.

(Notes on statement of cash flows)

The Company did not prepare quarterly consolidated statements of cash flows for the first nine months under review. Depreciation (including amortization of intangible assets except for goodwill) and amortization of goodwill for the nine-month period under review are as follows:

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Depreciation	¥2,283 million	¥2,708 million
Amortization of goodwill	¥103 million	¥96 million